



2007-09 OPERATING BUDGET INSTRUCTIONS - PART 2

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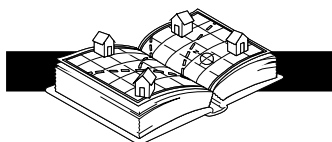
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Glossary of budget-related terms - <http://www.ofm.wa.gov/budget/instructions/glossary.pdf>

Budget related forms and form examples - <http://www.ofm.wa.gov/budget/forms.asp>



About the Instructions



The 2007-09 Budget Instructions are organized in two parts

The 2007-09 Budget Instructions have been issued in two parts.

Part 1: Strategic planning and performance measure instructions
(issued October 2005)


<http://www.ofm.wa.gov/budget/instructions/operating.asp>

Part 2: Budget request instructions

What is in the Part 2 instructions?

Part 2 of the 2007-09 Budget Instructions includes guidance on:

- Budget request basics – submittal components and format requirements
- Producing decision package and Recommendation Summary documents
- Items to include in carry-forward, maintenance, and performance levels
- Allocating maintenance level subtotals and performance level decision packages to activities
- Performance measure and activity description submittal requirements
- Linking operating and capital budgets
- Maintenance level, revenue and other coding requirements
- Technology portfolios
- Developing good cost estimates

Look for the  sign to find items required for submittal

We have used this symbol to help you find budget submittal requirements quickly.

Timeline of major budget events in 2006

For general planning purposes, here is a timeline of the major budget events in preparation of the Governor's budget.

March 2006	<ul style="list-style-type: none">▪ Targeted budget instructions sent to agencies
April	<ul style="list-style-type: none">▪ 2007-09 Budget Instructions Part 2 and Capital Budget Instructions issued▪ 2006 Supplemental Budget recast to activities due to OFM▪ Budget systems available for 2007-09 budget development
May	<ul style="list-style-type: none">▪ Program structure change requests due May 10
June	<ul style="list-style-type: none">▪ Strategic plans due June 1▪ Compensation detail updated in the Compensation Impact Model▪ Predesign requests due to OFM – June
August-Sept.1	<ul style="list-style-type: none">▪ Agency capital and operating budgets due
August-November	<ul style="list-style-type: none">▪ Budget review by OFM and the Governor
September	<ul style="list-style-type: none">▪ Results Teams reconvene▪ Second-year estimate review due by September 30
Early November	<ul style="list-style-type: none">▪ Results Teams make purchase plan recommendations
November- Early December	<ul style="list-style-type: none">▪ Final budget decisions

Look for the  sign for new items.

We have used this symbol to flag requirements or tools that are new or changed from the instructions from last biennium. Here are new items in the instructions:

- **Supplemental Budget recast to activities is due April 14.** (See Section 2.2 and OFM instruction memo)
<http://www.ofm.wa.gov/budget/instructions/operating.asp>
- **Requests to add or delete activities must be submitted to OFM by June 30.** (See Section 2.3)
- **OFM may ask agencies to submit proposals to remedy or improve selected activities as part of their budget request.** As now required by RCW 43.88.090, OFM must conduct regular reviews of the performance of agency activities. Based on these reviews, OFM may direct agencies to include proposals to close performance gaps as part of their budget request document. (See Section 6.2)

- OFM expects that **each major activity in the agency activity inventory will have at least one performance measure as is now required by RCW 43.88.090.** (See Section 9.)
- **Agencies have more flexibility in choosing maintenance level Recsum codes and titles.** There are required Recsum codes for certain specific purposes; agencies have discretion on other maintenance level codes and titles. (See Section 5.2.)
- OFM will work with agencies to ensure that funding received as an **unanticipated receipt** in the 2005-07 Biennium and expected to continue in the 2007-09 Biennium is **included in the budget request as appropriate.** (See Section 5.4.)
- **Transportation agencies must now include sixteen years in the transportation plan.** This will make the plan consistent with the timeframe used for legislative transportation planning purposes. Other changes have been made in the plan requirements. (See Section 13.4.)
- **Discontinued Requirements.** Agencies are no longer required to submit or to conduct the following:
 - **Budget Levels by Program report.** Only selected agencies are now required to submit budget information by program. (See Section 1.3.)
 - **Current biennium revenue estimates.** We have tried to simplify the revenue submittal requirements for agencies to better align with the way most agencies estimate maintenance level revenue for the ensuing biennium. (See Section 8.1.)
 - **Fund summaries.** Fund administrators must coordinate with the other agencies that spend out of the funds for which they are responsible to avoid submitting budgets to OFM that would result in a negative fund balance. However, fund administrators are no longer required to submit a report to OFM that shows the projected ending fund balance. (See Section 8.2.)
 - **Verify beginning fund balances.** OFM will let agencies know the beginning budgetary fund balances which will be used to develop the 2007-09 budget, but agencies will not be asked to verify these amounts. (See Section 8.2.)



SECTION 1

Budget Request Basics

This section describes the key elements of the operating budget submittal.

1.1 The strategic framework for budget decisions



The Priorities of Government approach provides the strategic framework for the budget

The Governor relies on the Priorities of Government (POG) approach for developing a strategic framework for making investment decisions. This approach starts with several basic questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?
- How will we measure progress?

This approach has proved effective in helping budget decision makers better understand the activities, costs, and outcomes of state government from the view of the entire enterprise.

Statewide results that citizens most expect

On page seven you will find an overview of the POG process. For the 2007-09 budget development effort, POG will focus on ten critical statewide results that citizens expect from government. A list of these results and the high-level strategies identified by POG teams are listed below.

Statewide Result Areas and Strategies	
Improve student achievement in elementary, middle and high schools <ul style="list-style-type: none">▪ Support early education and learning▪ Give students individual attention▪ Support parent and community connections▪ Provide general education support for students▪ Provide education in a residential setting▪ Keep students healthy and safe▪ Align curriculum, instruction and assessment▪ Provide strategic and individualized preparation for education staff▪ Support career preparation during K-12▪ Promote strong educational leadership	Improve the value of postsecondary learning <ul style="list-style-type: none">▪ Provide convenient and efficient post-secondary education▪ Provide support services to college students▪ Increase access to high-quality post-secondary education programs▪ Provide access to high-quality research opportunities▪ Offer university services to the community▪ Upgrade the skills of current or returning retired workers▪ Support career preparation beyond high school

Statewide Result Areas and Strategies	
Improve statewide mobility of people, goods and services <ul style="list-style-type: none"> ▪ Improve mobility system quality and service <ul style="list-style-type: none"> ▪ Provide additional connectivity between nodes ▪ Increase non-motorized trips in urban areas ▪ Promote access to telecommunications ▪ Improve mobility for commercial vehicles and freight ▪ Provide additional capacity on deficient corridors ▪ Preserve and maintain state, regional and local transportation systems <ul style="list-style-type: none"> ▪ Preserve essential components of the system ▪ Improve all-weather roads on freight corridors ▪ Maintain bandwidth to meet demand ▪ Eliminate deficient bridges ▪ Manage system operations and demand effectively <ul style="list-style-type: none"> ▪ Maximize use of the existing system ▪ Increase travel safety and incident responsiveness • Support local government efforts to increase average vehicle occupancy ▪ Effective system governance and management 	Improve the economic vitality of businesses and individuals <ul style="list-style-type: none"> • Return unemployed, underemployed or injured workers to work • Improve workplace safety and fairness • Develop markets by promoting Washington products and services • Provide consumer protection • Regulate the economy to ensure fairness, security and efficiency • Remove economic development barriers through targeted infrastructure and assistance • Coordinate government efforts to improve the effectiveness of economic development investments • Help develop affordable housing • Provide seed and growth capital and support entrepreneurs
Improve the health of Washingtonians <ul style="list-style-type: none"> • Increase healthy behaviors • Mitigate environmental hazards • Identify and mitigate health risk factors • Provide access to appropriate health care ▪ Provide drug and alcohol abuse prevention and treatment services 	Improve the safety of people and property <ul style="list-style-type: none"> ▪ Confine and rehabilitate offenders ▪ Prevent crime ▪ Prevent accidents and prepare for emergencies ▪ Respond to emergencies ▪ Enhance highway safety ▪ Support crime response and recovery ▪ Enforce the law ▪ Support crime investigation
Improve the quality of Washington's natural resources <ul style="list-style-type: none"> ▪ Establish safeguards and standards to protect natural resources ▪ Preserve, maintain and restore natural systems and landscapes ▪ Achieve sustainable use of public natural resources ▪ Provide good science and resource monitoring data to support decision-making ▪ Improve individual practices and choices about natural resources 	Improve cultural and recreational opportunities throughout the state <ul style="list-style-type: none"> ▪ Provide stewardship of cultural and recreational assets ▪ Ensure access to cultural and recreational opportunities ▪ Support private groups and local governments with cultural/recreational opportunities ▪ Enhance awareness of cultural and recreational opportunities ▪ Ensure quality cultural and recreational experiences
Improve the security of Washington's vulnerable children and adults <ul style="list-style-type: none"> • Respond to abuse/neglect allegations • Provide emergency cash, food, and shelter assistance • Provide institutional-based services • Provide community-based residential services • Provide in-home care supports • Provide secure treatment settings • Prepare and support youth and adults for employment • Provide support services to families • Conduct community outreach/education 	Improve the ability of state government to achieve results efficiently and effectively <ul style="list-style-type: none"> ▪ Provide state financial resources and services ▪ Improve decision support for government decision makers ▪ Provide logistical support for government agencies ▪ Provide human resources support for government agencies ▪ Support democratic processes and government accountability ▪ Pay for debt service

Priorities of Government – What is it?

The “Priorities of Government” budget approach helps guide budget decisions by producing a results-based prioritization of state activities.

The POG Process

The process starts by identifying the **priorities of government**: in this case, ten key results citizens expect from government.

- Each result is assigned a team of experts from different agencies, led by staff from the Governor's budget or policy office.
- These teams present their work at a series of tollgate meetings with the Guidance Team – a group of executives from state and local government and private and non-profit sector organizations. The Guidance Team makes sure the work of the teams stays result and citizen-focused.

Result Teams first **identify key indicators of success**. How would citizens know if we are making progress toward the high-level results?

Next they **identify proven or promising strategies for achieving results**. What does our experience and research tell us about the factors most critical to success? What are the indicators of success for those strategies?

Teams have access to the **activity inventory** – a catalog of the discrete activities of state government described in a citizen-oriented way.

- What do we do; for whom; why; what does it cost; what do we expect to accomplish?

Each team receives a **dollar allocation** that serves as a constraint to their purchase plan.

- The prioritization process is often more meaningful when the allocation is less than the amount currently spent in that result area.
- A dollar constraint encourages creativity, keeps proposals grounded in financial reality, and forces people to articulate priorities and choices.

The teams then **develop a results-based prioritization of activities** – Given the available resources, what are the most important activities to buy to achieve results?

- Teams are asked to focus only on maximizing results for citizens through evidenced-based strategies, and to ignore fund source and statutory restrictions that stand in the way.
- When they've exhausted their allocation, they list the items they would buy back next, in priority order.
- Conceptually, for each result you end up with a list of prioritized activities with “purchases” above the line and potential buy-backs below the line.

Key benefits of this POG framework

- Helps keep focus on contribution to priority results – lets us escape agency “silos” and consider statewide strategies.
- Makes performance information more relevant to budget choices.
- Facilitates thinking about trade-offs above and below the line and across the results areas. Does the budget make sense as a whole?
- Helps frame the questions, “Why does the line have to be drawn here? Can we make things above the line cost less? Are we sure we’re buying things at the best price?”
- Helps us describe the activities and results the entire budget will buy.

Note: POG is not the actual budget. It's what the budget might look like if the only objective were to maximize results to citizens. It helps build a better budget within the complex real world and helps identify barriers that need to be removed to build an even better one.

Results Teams began meeting last fall to recommend budget focus areas

The POG process for the 2007-09 budget started last fall when results teams began to meet to complete the following tasks:

- Confirm the high-level purchase strategies the state should pursue to improve results. (See result area and strategy list on the previous pages.)
- Develop indicators of success for each of these strategies. How will we know if these strategies are successful?
- Identify three to five recommended budget focus areas—ideas with promise for improving results in the result area or reducing the cost of high-value, but high-cost activities.

These products were reviewed by members of the Governor's Government Management, Accountability and Performance leadership team. You can find the result team products on the OFM website at <http://www.ofm.wa.gov/budget/pog/reports.htm>. OFM is now working on refining the indicators proposed by the teams and making that information available in the Performance Measure Tracking system.

Targeted budget instructions were issued in March

In March, OFM issued targeted budget instructions to many agencies based on the budget focus areas recommended by the results teams. These agencies were asked to include specific information, budget or legislative proposals in their budget submittal. This information will be made available to the results teams in the fall as they complete their POG work. (See Section 6.2 for more information.)

Results Teams will rely on agency budget materials as they develop a prioritized purchase plan

Once agency budgets are submitted, POG results teams will meet again to complete their final task of developing a "purchase plan". This is a prioritized list of activities which, based on research and performance evidence and within some resource constraint, should enable the state to make the most possible progress toward the result.

The POG results teams will rely on budget-related information from agencies as they conduct their deliberations including:

- Agency strategic plans
<http://www.ofm.wa.gov/budget/strategic/strategic.asp>
- Agency budget requests, including responses to targeted budget instructions
- Activity descriptions
- Performance information – statewide result indicators, strategy indicators and agency activity measures.

Agencies have access to all of this performance measure information through the Enterprise Reporting System. (<http://reporting.ofm.wa.gov/logonform.csp?action=logoff> or <https://fortress.wa.gov/ofm/reporting/> for fortress users).

Teams will also consider information from GMAP forums

Agencies are using their Government Management and Accountability Performance (GMAP) processes to continuously evaluate – and improve the effectiveness of – the strategies selected through the POG process. The GMAP forums help us identify better ways to achieve results, and give us important information for subsequent prioritization efforts. Results teams will consider information and learning generated through these forums.

The best budget proposals link investments to results

The budget is one of the most important tools for implementing policy and achieving results. In its review of agency budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest to achieve agency and statewide results?
- How do we know we are purchasing these activities at the best possible price?
- Given financial or other constraints, how can we maximize the results that citizens want?

The agency strategic plan, activity descriptions, and decision package information should all play key roles in answering these questions. The best budget proposals are persuasive not only at the agency level, but also within the broader statewide context that OFM and the Legislature must consider in making decisions. Proposals that make the strongest case will be those that can discuss the value and benefits of the outcomes they intend to deliver to achieve statewide results.

More information about POG

You can find more information about Priorities of Government at the OFM website, <http://www.ofm.wa.gov/budget/pog/default.htm>.

1.2 Where to find fiscal context information for the 2005-07 budget

The OFM website offers updated fiscal context information

Beginning in mid-April, you can find updated fiscal context information on the OFM website at <http://www.ofm.wa.gov/budget/documents/07-09fiscalcontext.pdf>. This document provides an overview of revenue and caseload forecasts and their implications for the 2007-09 budget, as well as links to a six-year fiscal outlook prepared by OFM. (Six year fiscal outlook can be found at <http://www.ofm.wa.gov/fiscal/outlook/default.asp>) The Part 1 Budget Instructions also discussed budget considerations related to Initiative 601 and the state debt limit. You can find additional population, revenue, and caseload forecast information at these websites: <http://www.cfc.wa.gov/> (Caseload Forecast Council), <http://www.erfc.wa.gov/home.htm> (Economic and Revenue Forecast Council), and <http://www.ofm.wa.gov/forecasting/default.asp> (OFM).

1.3 How is a budget request organized?

Recommendation Summary format summarizes the budget

Budget requests are summarized in a step-table format referred to as the “Recommendation Summary.” The Recommendation Summary begins with current biennium legislative spending authority and lists significant incremental changes to arrive at the agency’s 2007-09 request. Ideally, each single line on the Recommendation Summary should represent a single budget policy decision.

Decision packages are one set of budget building blocks

Agencies must describe and support each requested incremental change to the current budget with a decision package. Decision packages are the place for agencies to make a persuasive case for their requested budget changes.

The Budget Development System (BDS) assists agencies in developing the budget decision packages and produces the resulting Recommendation Summary report.

Major budget categories help to organize the request

The incremental steps in the Recommendation Summary are grouped to help OFM and legislative fiscal staff analyze certain categories of expenditure changes from the current biennium level.

<i>Carry-forward</i>	Carry-Forward Level – How much of the budget proposal is the biennialized cost of continuing the workload or services already authorized through legislative budget decisions? OFM, in consultation with agency and legislative staff, determines the carry-forward level and communicates the dollar amount to agencies as soon as possible after the 2006 supplemental budget is enacted. Section 5 discusses carry-forward calculations in more detail.
<i>Maintenance</i>	Maintenance Level – How much of the budget proposal is the cost of additional mandatory caseload, enrollment, inflation, and other legally unavoidable costs not contemplated in the current budget? Maintenance level changes to budgeted, nonappropriated funds are also listed in this category. Section 5 discusses this category in more detail.
<i>Policy and performance</i>	Policy and Performance Changes – What other expenditure change proposals are contained in the agency request budget? These options may represent significant changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. Section 6 discusses this category in more detail.
The activity inventory provides another important set of budget building blocks	While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does. What are the activities of the agency? What does it cost to perform them? What are the products and outcomes of each? What is the connection between the outcomes of those activities and the desired statewide results?
<i>Agencies also present the budget by activity</i>	Agencies must also prepare and submit an activity view of the budget in addition to the traditional decision package format. Section 2 discusses the activity inventory and activity budget requirements in more detail.
Additional supporting information is needed for the request	<p>In addition to the decision packages, Recommendation Summary report, and activity inventory, the budget submittal includes other information OFM needs to analyze the budget request:</p> <ul style="list-style-type: none"> ▪ Agency performance measures and the Performance Measure Incremental Estimates report (Budget Instructions Part 1, Section 2 and Budget Instructions Part 2, Section 9), ▪ Agency revenue and working capital reports (Section 8), and ▪ Other special reports (refer to Section 13 to see which reports apply to your agency).

Agency strategic plans, due to OFM on June 1, are also critical to budget analysis. See Budget Instructions Part 1, Section 1 for complete information on Strategic Plan submittal requirements.

Some agencies provide budget data at the program level

Although OFM reviews most recommendation summaries at the agency/decision package level, we do ask for some program detail from agencies. For the agencies listed below that are appropriated at program (or lower) level, we request that program level recommendation summaries be included with your agency request.

- 001** Bond Retirement and Interest
- 225** Washington State Patrol
- 240** Department of Licensing
- 300** Department of Social and Health Services – program level, except the following submitted at category level:
 - Mental Health
 - Developmental Disabilities
- 305** Department of Veterans Affairs
- 310** Department of Corrections
- 343** Higher Education Coordinating Board
- 350** Superintendent of Public Instruction
- 405** Department of Transportation
- 406** County Road Administration Board
- 407** Transportation Improvement Board



All other agencies do not need to submit budget information by program.

1.4



What are the submittal requirements?

What are the required components of the budget submittal?

The chart below shows the required components of the budget submittal and the way the material should be organized in the notebooks submitted to OFM. It is most helpful if notebooks include labeled tabs.

For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090, and 43.88.120.

Required Budget Submittal Components

- TAB A**
- ☐ Agency Organization Chart
 - ☐ Agency Activity Inventory Report *BDS report (Section 2 and Section 9.1)*
 - ☐ Performance Measure Incremental Estimates Report *BDS report (Section 9.2)*
 - ☐ Indirect Cost Allocation to Activities Description** *(Section 2.4)*
 - ☐ Business Plans - Part 2 – *only for accounts and agencies listed in Part 1, Section 2.2*

- TAB B**
- ☐ Recommendation Summary at Agency Level *BDS report (Section 3)*
 - ☐ Recommendation Summary at Program Level *BDS report (Section 3) – only for agencies listed in Section 1.3*

- TAB C**
- ☐ Decision Package Summary *BDS report (Section 4)*
 - ☐ Individual Decision Packages* *BDS entry form and report (Section 4)*

- TAB D**
- ☐ Summarized Revenues *BDS report (Section 8.1)*
 - ☐ Working Capital Reserve (B9-1) *By Fund Administrators – BDS entry form and report (Section 8.4)*
 - ☐ Revenue Transfer Reconciliation Statement *(Section 8.3)*
 - ☐ Federal Fund Estimates/State Match *OFM template (Section 13.2)*
 - ☐ Non-Budgeted Local Fund Summary (B10) *OFM template (Section 13.1)*
 - ☐ Puget Sound Action Team Work Plan Expenditures *(Section 13.6)*
 - ☐ JLARC Audit Responses *(Section 1.5)*

- TAB E**
- ☐ Targeted Budget Instruction Responses *Responses and proposals not included as a decision package in Tab C (Section 6.2)*

- ☐ Copy of each decision package that includes information technology investments*: *submit to DIS (Section 11.2)*
- ☐ Sixteen-Year Transportation Agency Program/Financial Plan: *submit to DOT or Fund Administrator (Section 13.4)*
- ☐ Updated agency descriptions: return completed template to Laurie Lien at Laurie.Lien@ofm.wa.gov

* Please refer to the checklist in Section 11.1 for the full list of items to be included with information technology project-related decision packages.

** Please send an electronic copy of Indirect Cost Allocation to Activities information to Linda Swanson at Linda.Swanson@ofm.wa.gov

How many copies must we submit?

With the exceptions below, each agency should send five complete copies of its operating budget submittal document to OFM. Three of these copies are retained by OFM, one is sent to the Senate Ways and Means Committee, and one is sent to the House Appropriations Committee.

Higher education requirements

Higher education institutions should submit two additional complete copies, for a total of seven copies. OFM will forward one to the Higher Education Coordinating Board and one to the Council of Presidents' Office.

Transportation-funded agency requirements

Transportation agencies (see the list of agencies in Section 13.4), the Utilities and Transportation Commission, State Parks and Recreation Commission, Department of Agriculture, LEAP, and State Auditor should submit two additional complete copies for a total of seven copies. OFM will forward one to the House Transportation Committee and one to the Senate Highways and Transportation Committee.

How many copies of the Strategic Plan must be submitted to OFM by June 1?

Please submit at least five copies of the agency strategic plan, and either one electronic version of the plan (preferred), or two additional hard-copy plans (for a total of seven.) The plan is due on June 1.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all material and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as shown above.

What is the submittal address?

Operations Section, Budget Division
Office of Financial Management
300 Insurance Building
Post Office Box 43113
Olympia, Washington 98504-3113

Budget notebooks and the release of budget system information are due on the same day

Agencies must release the Agency Request version in the Budget Development System to OFM to send the electronic data to OFM and complete the submittal requirements. **OFM needs both the budget notebooks and the system data to begin the analysis of the agency budget. Both are due to OFM on the date listed for your agency in Appendix A-1.**

1.5 Other general preparation requirements

What are the rounding protocols?

- Round all expenditure and revenue amounts to whole dollars except in the case of individual claims (legal judgments, Local Improvement District assessments, etc.) that must be reported exactly. Round fractions of dollars from \$.01 through \$.49 to the next lower whole dollar, and \$.50 through \$.99 to the next higher whole dollar.
- Omit dollar signs (\$) except where necessary to distinguish dollars from other numbers.
- Round FTE amounts to the nearest tenth.

Note: BDS reports will be accepted as produced.

How do we display negative numbers?

Use parentheses to indicate numbers reflecting expenditure decreases.

Required fund code conventions for budget documents

With few exceptions, use the state accounting system coding scheme for account numbers and other designations used in the budget documents. Fund codes require both the account number and the appropriation type code that indicates the source character of the funds involved. Separate the one-digit appropriation type from the three-digit account number with a hyphen as shown in the table below.

General Fund

The following fund sources, where applicable, must be identified separately:

- 001-1** General Fund-State. Include applicable compensation adjustment allocations. Appropriation Type 1.
- 001-2** General Fund-Federal. Include applicable compensation adjustment allocations. Appropriation Type 2.
- 001-5** General Fund-Other Federal Fixed Grants (DSHS and Department of Health only). Include applicable compensation adjustment allocations. Appropriation Type 5.
- 001-7** General Fund-Private/Local. Appropriation Type 7.
- 001-0** General Fund-Federal: Social Services Block Grant—Title XX (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type 0.
- 001-A** General Fund-Federal: Family Support/Child Welfare—Title IV (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type A.
- 001-C** General Fund-Federal: Medicaid—Title XIX. Include applicable compensation adjustment allocations. Appropriation Type C.
- 001-D** General Fund-Federal: Temporary Assistance for Needy Families (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type D.
- 001-E** General Fund-Federal: Child Care Development Funds (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type E.

Motor Vehicle Account

108-T Motor Vehicle Account Bonded Projects: (DOT only). Use to identify bonded transportation projects. Appropriation Type T.

Other Appropriated Treasury Funds

Identify other appropriated treasury funds by the following appropriation types:

State:	Appropriation Type 1
Federal:	Appropriation Type 2
Private/Local:	Appropriation Type 7

Nonappropriated Funds

All nonappropriated funds, regardless of original source of funding, must use Appropriation Type 6.

Departmental request legislation with a budget impact is due with the budget request

Departmental request legislation proposals with a budget impact must be submitted to Patsy Ellis, Governor's Executive Policy Office, by the budget submittal due date. More detailed instructions for submitting agency request legislation will be distributed in a letter to agency directors from the Governor's Office. Proposed departmental request legislation will be reviewed with the Governor this fall. Agencies must include decision packages in the budget submittal for any of these proposals that have revenue or expenditure impacts.

Please ensure that other agencies potentially affected by your agency's proposed legislation are aware of the request, since OFM will need fiscal notes from each affected agency. Each agency will also need to include the fiscal impact in its budget submittal.

Report requested changes to budget program structure by May 10, 2006

If an agency is considering changing budget program or subprogram structure as part of its 2007-09 budget, the necessary justification must be submitted to OFM no later than May 10, 2006. This will allow sufficient time to obtain LEAP approval as required by the State Budgeting, Accounting, and Reporting Systems Act (RCW 43.88). Please refer to the memo regarding this process on the OFM budget instructions web site at <http://www.ofm.wa.gov/budget/instructions/default.asp>.

Include JLARC audit responses in the budget submittal

RCW 43.88.090(1) requires agencies to reflect consideration of applicable Joint Legislative Audit and Review Committee (JLARC) performance audit recommendations in their budget requests. Specifically, “The estimates must reflect that the agency considered any alternatives to reduce costs or improve service delivery identified in the findings of a performance audit of the agency by the joint legislative audit and review committee. Nothing in this subsection requires performance audit findings to be published as part of the budget.”

The following agencies should include narrative in their budget requests that describes the current status of audit responses to JLARC findings and recommendations issued from January 2004 through January 2006. Specific audits and studies are listed on the JLARC website at

<http://www1.leg.wa.gov/JLARC/Audit+and+Study+Reports>.

Department of Agriculture
Capital Projects Review Board
Department of Community, Trade and Economic Development
Department of Ecology
Employment Security Department
Office of Financial Management
Health Care Authority
Higher Education Coordinating Board
Information Services Board
Department of Information Services
Department of Labor and Industries
Department of Natural Resources
Department of Social and Health Services
Spokane Intercollegiate Research and Technology Institute
State Board for Community and Technical Colleges
Office of Superintendent of Public Instruction
Washington State Convention and Trade Center
Workforce Training and Education Coordinating Board

Agencies should be prepared to provide this information to JLARC as well.

1.6 Using the Budget Development System

Use the BDS for developing budget proposals

The Budget Development System (BDS) serves as a tool for budget submittal and facilitates actual budget development. BDS enables an agency to develop its budget by decision package, capturing the information (narrative, expenditure, revenue, activity inventory and performance measure data) necessary to explain and justify the agency's request. The system also will generate many of the budget reports required as part of the submittal.

Salary Projection System (SPS)

The Salary Projection System (SPS) can assist agencies in developing staffing-related FTE and expenditure estimates. The system can be used to analyze the cost of current staff levels or to develop scenarios to estimate the cost of budget proposals.

BASS training and assistance

If you would like more information or assistance in using BASS systems, please contact the BASS Help Desk at (360) 725-5278. Training classes or self-guided tutorial lessons are also available. Training information and registration can be found on-line at <http://www.ofm.wa.gov/accounting/training.asp>. More information on SPS, BDS, and other BASS products can be found in the BASS Library at <http://systems.ofm.wa.gov/BASSPR/library/default.htm> (<https://fortress.wa.gov/ofm/systems/basspr/library/> for Fortress users).



SECTION 2

The Activity View of the Budget

2.1 The Activity Inventory is an activity view of the budget

Agencies will also present the budget by activity

Agencies must prepare and submit an activity view of the budget in addition to the traditional decision package orientation described in chapters three through six. The Budget Development System (BDS) supports this requirement to include activity description and performance measure information in the budget database.

What is an activity?

An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and provides a product, service, or outcome. One way to define activities is to consider how agency employees describe their jobs to their families and friends. On behalf of the state's citizens, we basically want to know, "What do you do? For whom? Why is it valuable?"

Activity descriptions tend to be better than program descriptions at revealing the nature and purpose of the work performed by state government. The activity view of government has come to play an important role in the Priorities of Government process, budget analysis and decision-making.

The Activity Inventory describes what agencies do

The Activity Inventory describes the major activities of each agency. Each activity description should include the following information:

- A title that describes the nature of the activity (rather than an organizational name);
- A brief description of the activity, its purpose, and its intended recipient or beneficiary;
- The expected results of the activity (conveyed as one or more performance measures and/or as a concise narrative description of outcomes);
- The primary statewide result area to which the activity contributes; and
- Other statewide result areas to which the activity contributes.

2.2 Agencies must recast the 2006 budget by activity

Agencies are required to update activity estimates by April 14

After the 2006 supplemental budget is signed into law, agencies must update their estimated costs of agency activities to reflect the new budget. Agencies will use BDS to recast the enacted budget by activity. **The recast budget must be released to OFM by April 14.** We expect agencies will have at least two weeks from the time the budget is signed by the Governor until the recast is due. We regret the short time frame, but this will enable agencies to use the recast budget as the base in BDS for building the 2007-09 budget.

Update the activity inventory amounts using BDS

Activity estimate updates for the 2006 supplemental budget will be completed using BDS in an Enacted Recast, First Year Supplemental version. Agencies will have two choices on how they want to recast the enacted budget:

1. Enter a bottom-line total budget for each activity by fiscal year and account in a decision package (PL-9Z).
2. Copy an existing version by activity to enacted version and update, delete, and add decision packages to reflect the enacted budget.

Steps for both options are described in the Enacted Budget Recast tutorial available at

<http://systems.ofm.wa.gov/basspr/library/enactedrecast.pdf> or, for those outside the state firewall, at <https://fortress.wa.gov/ofm/systems/basspr/library/enactedrecast.pdf>.



NOTE: BDS has added a function to copy the Enacted Budget version for the first year supplemental to create the version base for 2007-09 by summing the total recast and inserting this into a CB-00 decision package.

Changes to Activity Titles and Descriptions

Due to the short turnaround time to complete the recast, we suggest that changes to the activity information be limited to adding new activities that were created in the supplemental budget. We suggest title, description and other changes be deferred until the development of the 2007-09 budget. Please contact your OFM analyst if you believe an activity needs to be added.

2.3 What are the budget submittal requirements?

Agencies must present certain subtotals and decision packages by activity

Agencies are required to assign certain budget totals and increments to activities in order to build a complete activity view of the budget. To prepare this view, agencies at a minimum must:

1. Allocate the maintenance level subtotal to activities, and
2. Allocate each performance level decision package to the affected activities.

These requirements are described in greater detail below. Presenting the current biennium level total, maintenance level subtotal, and the performance level decision packages by activity will provide an activity view of the total budget for the agency.

Current Biennium Totals:	Agencies will provide this with the recast of the 2006 supplemental budget
+ Carry-forward increments:	Optional by activity
+ Maintenance level increments:	Optional by activity
Subtotal Maintenance Level:	Required by activity (Maintenance Level Total -- can be viewed by activity)
+ Performance level increments:	Required by activity
Proposed Budget Total:	Can be viewed by activity

Allocate maintenance level to activities



The agency budget submittal must present the maintenance level totals (by account and fiscal year) by activity. Agencies may choose to assign the costs of some or all carry-forward or maintenance level decision packages to activities, but this is not required. In some way, the entire subtotal must be assigned to activities to provide the activity view of the budget through maintenance level. The agency budget cannot be submitted to OFM until all these costs and FTEs have been assigned to activities.

BDS provides various options for agencies to assign these costs – by account and fiscal year – to activities. Most agencies have found entering each increment by activity to be the simplest method to meet this requirement. If your agency finds this option less feasible, please contact the BASS Help Desk at (360) 725-5279 or bass-request@listserv.wa.gov to explore the option that may be best for your agency.

Allocate each performance level decision package to activities

Agencies are required to indicate how the costs – by account and fiscal year – and FTEs of each Performance Level decision package should be assigned to activities. BDS enables users to indicate the activity costs by account and fiscal year for each decision package.

Adjust activity descriptions to reflect the budget submittal—requests to add or delete activities must be made to OFM by June 30

Agencies will have the ability to edit activities if needed to reflect the budget proposal. To eliminate the need for OFM to review and edit every activity description submitted, most of the activity description fields for existing activities will be locked. Please contact your OFM analyst or Linda Swanson at Linda.swanson@ofm.wa.gov if you believe a locked activity description needs to be edited.



If agencies would like to add or delete activities to support their budget requests, we ask that they submit a proposal to their OFM analyst by June 30. (Proposals are welcome anytime before this.) The proposal should provide a clear picture of the “before” and “after” set of activities. Please include:

- The current list of agency activities and descriptions
- The proposed list of agency activities, explaining where current activities have been merged or split
- A brief explanation of the reason for the requested change

OFM will review the proposal, considering how the proposed change in information will affect the budget decision process, and provide a decision to the agency as soon as possible.

Provide information about non-budgeted funds supporting activities

Because the activity inventory is now a part of the budget system, the numbers reflected in the activity totals will only reflect budgeted funds. If an agency has an activity that is significantly supported by non-budgeted revenues, please mention this in the activity description and note the dollar amount and fund source.

Include the Activity Inventory report in the budget submittal

Agencies are required to include a copy of the Agency Activity Inventory report in their submittal. This report can be run in the BDS section of Enterprise Reporting. The report will include the descriptive information for each activity, including linked performance measures and expected results statements. See Section 9 for a discussion of performance measures.

2.4 How to treat administrative costs in the Activity Inventory

Activity costs should include related administrative costs essential to support that activity

The activity inventory should provide a reasonable estimate of the full cost of activities. Part of the full cost of any activity would include related administrative costs that are essential to support the activity.

Administrative costs can be broken into two components: indirect costs and overhead costs. These instructions describe how to handle these two types of costs in the activity inventory.

Definitions

We realize many of the cost terms used here mean different things in different organizations. Please use the definitions below for the purpose of developing activity inventory estimates.

Allocate indirect costs to activities

Indirect costs are administrative costs that are linked to two or more activities, are closely related to and tend to vary with activity level or size, but usually cannot be practically or economically assigned as direct charges. These costs should be assigned to activities through cost allocation and included in the total cost of the activity in the activity inventory.

Types of costs that could be classified as indirect costs may vary from agency to agency, but here are some possible examples:

- Rent costs (if these are not already direct charged)
- Postage costs
- Software development and information technology support costs
- Other shared administrative costs that are closely related to activity levels and size

Show overhead costs as a separate “administration” activity

Every agency has some core administrative functions and costs regardless of the number or size of its activities. These **overhead costs** usually support the entire organization, are not directly attributable to specific activities, and tend to be relatively fixed and not readily affected by fluctuations in activity levels. These costs should not be allocated to activities because they are not “caused” by the activity. Indicate these costs separately in one “Administration” activity in the activity inventory.

Types of costs that could be classified as overhead costs may vary from agency to agency, but here are some possible examples:

- Salary and support costs for the agency director
- Core portions of accounting, budgeting, personnel, communications, and receptionist functions
- Other shared administrative costs that are not closely related to activity levels and size

OFM is not concerned that each agency classifies the same type of cost in the same way. We most want to ensure that activity costs include administrative costs that are critical to support the activity and achieve its intended outcomes.

Certain agencies are not required to have a separate administrative activity

As part of the update to the activity inventory in the fall of 2003, OFM determined that some agencies (those with only a few activities) were not required to break out overhead costs as a separate administration activity. These agencies do not need to add an administrative activity for the budget submittal.

How should indirect costs be allocated to activities?

Indirect costs should be assigned to activities on some generally accepted cost allocation basis. We encourage agencies that already use a cost allocation methodology for some accounting purposes to use that method to allocate indirect costs to activities. Other possible approaches to allocating indirect costs to activities include, but are not limited to:

- Allocating by the number of FTEs in each activity
- Allocating by the total dollars budgeted for each activity
- Allocating by one or more bases that serve as good surrogates for the costs caused by each activity. For example: IT staff costs by the number of personal computers or rent costs by the number of square feet.

Provide allocation information to OFM

The allocated costs should be included in the total costs for the activities. Agencies must also provide the following information in the agency budget submittal about the cost allocation approach:

- The total amount of indirect costs allocated
- A brief description of the allocation method selected
- The allocation percentage for each activity (percentage of the total indirect cost the agency allocated to each activity)
- The dollar amount allocated to each activity each fiscal year.

Please use a format similar to that shown below. Please send an electronic copy to Linda.Swanson@ofm.wa.gov.

Activity Inventory Indirect Cost Allocation Approach				
Agency ABC				
Date				
Allocation Method Description: Total indirect costs were allocated to activities based on the number of FTEs in each activity.				
	% Allocation Received	Dollars Allocated FY1	Dollars Allocated FY2	Total Allocated
Activity A	20%	\$200,000	\$250,000	\$450,000
Activity B	50%	\$500,000	\$625,000	\$1,125,000
Activity C	10%	\$100,000	\$125,000	\$225,000
Activity D	20%	\$200,000	\$250,000	\$450,000
Total	100%	\$1,000,000	\$1,250,000	\$2,250,000



SECTION 3

The Recommendation Summary View

3.1 What is the Recommendation Summary?

The Recommendation Summary summarizes the expenditure portion of the request

The Recommendation Summary is the step table format used to summarize the expenditure change information in the budget request. It begins with legislative spending authority in the current biennium and lists the significant incremental changes in the carry-forward, maintenance, and performance levels to arrive at the agency's 2007-09 request. Ideally, each budget line on the Recommendation Summary should represent a single budget policy decision.

Conceptual Description of the Recommendation Summary

Budget Level	Appropriate Items
Current Biennium	Legislatively authorized appropriation level or nonappropriated expenditure level
Carry-Forward Changes	<ul style="list-style-type: none">• Biennialization of legislatively directed workload and program changes• Shifting of any continuing unanticipated federal and private/local expenditures to anticipated appropriation type• Negative adjustments for nonrecurring costs
Maintenance Changes	<ul style="list-style-type: none">• Mandatory caseload, workload, and enrollment changes• Rate changes, such as lease, fuel, and postage• Central service agency charges and other rate adjustments• Specific compensation adjustments: OASI, merit increments (for agencies with fewer than 100 FTEs), and retirement buyout costs• Inflation• Changes to nonappropriated accounts beyond current allotted levels• Other mandatory cost increases outside agency control• Transfers between programs, agencies, or between years for dedicated accounts• Unanticipated receipts not included in carry-forward level• Federal, private/local, and dedicated fund adjustments
Performance Changes	<ul style="list-style-type: none">• New programs or services• Discretionary workload in current programs• Reduction or elimination of current programs• Significant changes in fund sources
Total Budget Request	Sum of Items Above

3.2 What are the submittal requirements?

The Recommendation Summary has a required format

The Recommendation Summary displays the requested dollars by fund and the average annual FTE staff for the biennium for each significant change between the current biennium and the ensuing biennium budget request. Each change item in the carry-forward, maintenance, and performance levels is listed as a separate line item with its own Recommendation Summary code and description. An example is provided at the forms link at <http://www.ofm.wa.gov/budget/instructions/operating.asp>.

BDS will generate the Recommendation Summary

The agency is able to generate the Recommendation Summary directly from the Budget Development System (BDS) once it has entered its decision package information.

The Recommendation Summary reports submitted to OFM must contain OFM-approved current biennium and carry-forward level amounts

Carry-forward decision packages prepared in BDS will not be released to OFM; OFM will use its calculated carry-forward level as the base data. However, OFM and legislative staff do refer to the Recommendation Summary reports provided by the agency in its budget submittal. **These reports must show the OFM-approved current biennium and carry-forward level, or OFM will ask agencies to resubmit correct reports. Agencies will not be able to electronically release the budget from BDS when the carry-forward level does not match OFM's carry-forward level.**

Most agencies submit the Recommendation Summary at the agency level

Agencies must submit a Recommendation Summary at the agency level unless they are required to submit budgets at a lower level. Agencies listed in Section 1.3 must submit a Recommendation Summary at the program (or category) level.

Use approved codes to designate change items

Agencies must use valid Recommendation Summary (RecSum) codes to identify each incremental change. (RecSum codes are called decision package codes in BDS.) Sections 5 and 6 also note OFM-designated codes that must be used for certain types of maintenance and performance level changes. These codes are shown in BDS at the bottom of the decision package code listing.



SECTION 4

Decision Packages

4.1 What is a decision package?

What is a decision package?

Decision packages are a key set of building blocks for constructing the budget request. The decision package is the place for the agency to make a persuasive case for the proposed change. OFM will rely upon this information in evaluating the request.

Decision packages organize and describe proposed cost changes in a way that highlights the budget decisions. The decision package consolidates the financial information, the supporting justification, and the statement of impact for a specific action or policy proposed for implementation in the budget. One decision package describes a proposed item of change listed on the Recommendation Summary.

The Budget Development System (BDS) assists agencies in developing all components of budget decision packages. It also automatically displays the expenditure, revenue, and FTE detail that agencies enter into the system rolled up to the selected level (agency or program) for the decision package report.

When is a decision package needed?



***Agency request
legislation decision
packages must be
submitted with the budget***

Decision package narrative is required for all incremental changes to the current biennium budget except for changes for carry-forward, OASI, inflation, I-732 COLA increase and the package to recast maintenance level to activities.

If an agency submits proposed agency request legislation with a budget impact, a corresponding decision package must be included in the agency budget submittal.

Decision packages should be prepared at the required budget level (agency level except for those agencies listed in Section 1.3), but should always describe which programs and activities are affected by the request.

Decision packages should represent significant, discrete decisions



Each decision package will appear as one line with a **positive or negative** amount on the Recommendation Summary and should represent a significant, discrete budget decision. Craft your decision packages so that related items are grouped together, but do not obscure or combine separate decisions.

The budget decision hinges on the stated performance objective being addressed.

Example: Seven new driver's license examining stations are proposed to expand geographic coverage for an existing service and to reduce waiting time for clients. The performance objective in this case is expanding coverage and reducing wait times. While the location of the examining stations is a necessary component of meeting this objective, the location of each station is not a separate budget decision. In this case, the agency would submit one decision package.

Please contact your OFM budget analyst if you have questions about how best to organize budget requests into decision packages.

4.2 The required elements of the decision package

The decision package has required elements

The required decision package elements serve as a checklist for the key information OFM needs to analyze the request. We expect that actual justification materials will vary in length and complexity, depending on the nature of the decision package being proposed. The Budget Development System facilitates the entry of all the required components.

The following are required elements of the decision package.

Decision Package (RecSum) Code

Decision packages are identified with unique, two-digit decision package codes (also called RecSum codes). The BDS will list the allowable codes from which agencies may choose. Agencies must use alpha-alpha codes, except for those designated by OFM. Sections 5 and 6 note the OFM-designated codes that must be used for certain types of maintenance and performance level changes.

List decision packages in priority order

List performance-level decision packages in priority order on the Decision Package Summary. The BDS allows agencies to reprioritize decision packages once their budget development is complete. Please note that the decision package code does not indicate the agency's priority order.

Decision package title

The title will appear on the Recommendation Summary report and should be as descriptive as possible within the limit of 35 characters. The system also offers the option of entering a longer, more descriptive title for other purposes. This longer title will not be sent to OFM or printed in required reports.

Agency Recommendation Summary Text

Each decision package should have a brief description of its purpose, written in complete sentences. This text will be loaded into the OFM WinSum budget system and will serve as the starting point for OFM text that describes items funded in the Governor's budget.

Make it compelling. Describe the problem, what the package buys, and how the package solves the problem. Strive for succinct, precise, and non-technical text. Avoid jargon and acronyms; the text should be clear to an audience that isn't necessarily expert on the issue. We suggest that agencies limit this text to about 100 words.

Please note: OFM uses Recommendation Summary reports to brief executive decision-makers. It is in your interest to make recsum text clear, concise and compelling.

We urge agencies to look at examples in the last budget for guidance on the kind of summary information desired. The link below will take you to the Recommendation Summaries published for the 2006 supplemental budget proposal.

<http://www.ofm.wa.gov/budget06/recsum/>

Fiscal Detail

The BDS automatically displays the operating expenditures by account and objects of expenditure, the staffing detail by FTEs, and the revenue detail by account that agencies have entered into the system for each decision package. The BDS provides the option of printing the fiscal detail at the agency level, with program detail (required for those agencies appropriated by program listed in Section 1.3), or a six-year, multi-year view for transportation agencies.

Description Briefly describe the problem or opportunity that is being addressed, the solution being proposed, the agency activities affected, and the expected nature of the change. Compare and contrast how the activities function at the current budgeted level and how they would function instead under this proposal. Include references to workload, eligibility standards, delivery system, staffing, and other elements that will help paint a picture of the situation. The description should also include a proposed implementation schedule to be followed if the item is funded.

Narrative justification and impact statement The core of the decision package is the justification for the change being requested and a statement of its effect on agency strategies and operations. The BDS is structured to elicit information for each of the following elements of the decision package.

- **How this decision package contributes to the agency's strategic plan and its activities.** Briefly describe how this decision package contributes to one or more of the following:
 - The agency's strategic plan.
 - Statewide results or strategies identified by a Priorities of Government results team.
 - Enabling the state to do a better job with one or more of the listed activities.
- **Performance Measure Detail.** If one or more of the activity performance measures the agency reports in the Performance Measure Tracking system are affected by the decision package, please identify the expected incremental change in annual performance targets for each measure for each applicable fiscal year if the decision package is enacted. The BDS provides the tools to identify the incremental impacts for these measures. If the decision package will contribute to some other ongoing activity result, the agency should establish a new measure in the system for that activity.

If the decision package is expected to bring about some other kind of performance change — a change that would not be relevant as an ongoing measure of activity results — please note the expected change by fiscal year in the “Reason for Change” narrative section below, rather than creating a new performance measure solely to discuss the expected results of the decision package.

Please note: Decision packages that do not describe contribution to activity results are much less compelling than other decision packages.

Refer to Section 9.2 for more information identifying performance measure increments.

- **The reason for the change.** What problem is being addressed? What kind of change in results or performance (not presented in the performance measure detail section above) can be expected if this proposal is implemented? If this information is not included in the decision package, expect your OFM analyst to ask why the agency does not expect a change in performance as a result of a funding change.
- **The impact of the change on agency clients and services.** What levels of service are provided today and at what cost and staffing level? How will existing services be altered by the change in funding? Will additional resources increase efficiency, respond to additional workload, expand eligibility, or enhance services?
- **The impact on other state programs or other units of government.** Describe whether a decision package item alters costs, workload, operations, or revenues in another agency program, another agency, or another unit of local or federal government.
- **The relationship, if any, to the state's capital budget.** If the decision package item requires new space, alterations to existing space, or increased maintenance, the additional demands should be described. Also note if the proposal reduces facility requirements. If an agency capital budget request supports the decision package, it should be referenced by the same project title, number, cost, and fund source in both places if at all possible.
- **Revisions required in an existing statute, Washington Administrative Code (WAC), contract, or state plan** in order to implement the change. Please indicate the proposed agency request legislation that is related to this decision package.

- **A discussion of alternatives explored by the agency**, including the pros and cons of the alternatives, why they were not selected, and why the recommended alternative was chosen. In this section, anticipate the natural questions a curious budget analyst will have. For example, did you consider:
 - Approaches with different budget impacts?
 - Regulatory or statutory changes pursued in order to simplify, reduce, and streamline requirements that must be fulfilled by the agency process(es) affected by this budget change?
 - Resource redeployment options undertaken to maximize the efficiency of existing agency financial, staffing, capital, or technology resources devoted to the problem this budget change is designed to address?

As you consider alternatives, please refer to Appendix A-3 for a list of some of the strategies to reduce costs and improve efficiency that the Priorities of Government results teams will be asked to consider in their analysis this year.

- **Budget impacts in future biennia.** Discuss future effects on expenditures, FTEs, fund sources, and revenue.
- **A distinction between one-time and ongoing functions and costs.** Please describe and include the dollar amount for how much of the request is necessary to cover one-time funding (such as for equipment or a study).
- **Effects of non-funding.** Please describe the consequences to stakeholders and client groups of not funding the decision package as requested.
- **Expenditure and revenue calculations and assumptions.** Agencies should display the calculations (e.g., unit costs and formulas) used to arrive at expenditure, revenue, and workload estimates connected with the decision package. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions. It is helpful to discuss the general types of staff assumed in the calculations (e.g., clerical, analytical, information technology, manager, etc.).

If a new fee or fee increase is proposed, please include the following information:

- Fee title
- Description of fee change
- Rationale for fee increase
- Dollar amount of fee change or change in rate
- Affected stakeholders
- Note whether legislation is required
- Note whether the fee increase is above the fiscal growth factor (Refer to the expenditure limit committee website <http://www.elc.wa.gov/> for the fiscal growth factors.)

This fee information is not required for proposed increases in the central service agency charges identified in Section 13.3, but would be required for other fee increases to state agencies.

Objects of expenditure

Objects of Expenditure. This portion of the report is automatically inserted into the decision package from the Object Detail worksheet created by the agency in the BDS. While the agency's base budget is not required to be submitted by object, OFM analysts do find it very helpful in understanding how the new funding requested in the decision package will be used.

Do not include estimates for cost of goods sold in the cost of the agency budget submittals, although this information may be described in the decision package.

See the decision package example in Appendix A-2

We have included a model decision package example in Appendix A-2 to show the level of information and support we expect to see in decision packages.

Other decision package information requirements

Refer to Section 10 for a checklist to help ensure that decision packages are consistent with information being proposed in the agency's capital budget.

Refer to Section 11 for information on information technology portfolios and the required additional information elements that must be included in relevant decision packages.

Refer to Section 12 for required information to include in self-insurance premium decision packages.

The Part 1 instructions provide information on how the decision package information should be linked to the agency's strategic plan, performance measures and statewide results.

How OFM will use the activity inventory, strategic plan, and performance measure information in analyzing decision packages

As part of the budget recommendation process, OFM will be considering whether the activity inventory, strategic plan, decision package, and performance measures make the business case for any requested financial change. We want to know, “What is it about this decision package that will enable the state to do a better job with one or more of the listed activities?” Agencies should make sure that the decision package submittal helps answer the following questions:

- What changes in external environment, customer characteristics, internal capacity, or policy issues, decisions or risks are driving this request? Has the agency clearly shown with supporting data that a problem exists that needs solving?
- How does the proposal link to the agency’s strategic plan, POG recommendations, and other relevant policy direction? Does it make sense in the context of POG or agency-identified direction, and achievement of articulated performance targets?
- What is the priority of this proposed change compared to other proposals? Compared to existing activities funded in the base budget? What are the policy tradeoffs implied by this prioritization?
- How will this proposal affect other agencies and major partners? How have they been involved in the development of this proposal?
- How does this proposal affect or relate to the agency's or Governor's request legislation?
- What data can the agency supply to show that the proposed solution will be effective? Can it be tracked as a performance measure?
- Does the projected performance return for this proposed investment seem feasible and compelling?
- Has the agency incorporated ideas from GMAP, quality improvement, process improvement, and regulatory improvement efforts to reduce unnecessary or low-value expenditures?
- How will this proposal enhance agency efficiency?
- Why this option and not others? What evaluation process led to this solution?
- If not funded, would the agency decide not to proceed or would the agency reprogram other resources?
- Why is this change presented as an incremental increase instead of a reprioritization within the base?



SECTION 5

Carry-Forward and Maintenance Levels

5.1 What is the carry-forward level?

What is the carry-forward level?

The carry-forward level is a reference point created by calculating the biennialized cost of decisions already recognized in appropriations by the Legislature.

OFM calculates and provides the carry-forward level to agencies



In consultation with legislative staff, OFM calculates the carry-forward level for each agency and provides agencies with a worksheet indicating the amount by account that must be placed in budget submittals. OFM budget analysts will be discussing these calculations with agencies as soon as possible after the passage of the 2006 supplemental budget. We expect carry-forward levels to be finalized by mid-May of 2006.

At the agency and fund level, the carry-forward level in the agency budget submittal must match the total for each account-appropriation type on the OFM carry-forward cost worksheet. Agency budget submittals should display at least one incremental step between current biennium and carry-forward level to reflect total changes. Since the OFM budget database will already contain all the specific incremental items that belong in carry-forward level, it is not necessary for an agency to create a decision package for each item.

OFM uses recommendation summary (RecSum) codes to summarize common items of change at the statewide level. These codes are identified on the report sent to agencies indicating carry-forward level amounts by account. Agencies should consider using these codes in their own budgets for consistency and comparative purposes.

How OFM calculates the carry-forward level

The OFM calculation starts with the 2005-07 expenditure authority as represented by current appropriations, compensation or other allocations, and the nonappropriated funds assumed in the legislative budget. Governor's Emergency Fund allocations are considered nonrecurring costs and are not typically added to the base. Adjustments are then made for biennialization of workload and service changes directed by the legislature and for deletion of costs that the Legislature considered nonrecurring. Nonappropriated funds are adjusted to match allotments. These ensuing biennium revisions generally match legislative assumptions of "bow wave."

Unanticipated receipts received and approved in 2005-07 that will continue in 2007-09 are also considered part of carry-forward level if approved prior to the finalization of the carry-forward cost calculation. (See Section 5.4.)

Examples of carry-forward level adjustments

Legislatively directed workload changes – Only those changes already recognized by the legislative appropriation level in 2005-07 (or for nonappropriated accounts, through a change in the legislative budget database or allotments) are included. Examples include staffing for opening of new facilities and biennialization of the cost of mandatory caseload, enrollment, or population growth that occurred during 2005-07.

Legislatively directed changes in level of services – Again, only the carry-forward of those changes recognized by the Legislature through revised appropriations are included in carry-forward level. Examples: a change from annual to semi-annual inspections or an increased resident-counselor ratio.

Nonrecurring costs – Nonrecurring costs usually reflect deletions of what the Legislature has identified as projects or other short-term expenditures. Legislatively directed nonrecurring costs are eliminated in carry-forward level; agency-generated savings would be shown as negative adjustments in maintenance level.

Some changes will not be part of carry-forward

Increases in Fiscal Year 2007 expenditure levels not specifically authorized by the Legislature, such as agency reallocation of dedicated funds from FY 2006 to FY 2007, are excluded from the bow wave calculation for carry-forward level. Fiscal Year 2007 increases in nonappropriated fund sources would have to be supported by a specific tie to legislative direction or an approved allotment before being included.

The Recommendation Summary reports submitted to OFM must contain OFM's carry-forward level amount

Carry-forward decision packages prepared in BDS will not be released to OFM; OFM will use its calculated carry-forward level as the base data. However, OFM and legislative staff do use the Recommendation Summary reports provided by the agency in its budget submittal. **These reports must match the OFM-approved carry-forward level or OFM will ask agencies to resubmit correct reports. Agencies will not be able to electronically release the budget from BDS when the carry-forward level for the version does not match OFM's carry-forward level.**

5.2 What is maintenance level?

What is maintenance level?

Maintenance level reflects the cost of mandatory caseload, enrollment, inflation and other legally unavoidable costs not contemplated in the current budget. Expenditure adjustments may be positive or negative, depending on expected experience in the ensuing biennium. Agencies will notice that BDS splits maintenance level into two different levels to indicate different kinds of maintenance level costs.

Who prepares maintenance level?

Agencies prepare the maintenance level component of the budget submittal. Like the carry-forward level, maintenance level is a reference point for budget consideration; it is not a guarantee of that amount of funding.

Maintenance level 1 includes mandatory caseload and enrollment changes

A mandatory caseload or enrollment change arises from an explicit statutory requirement for state-funded services. A change in the demand or the need for a service is not mandatory unless the recipients of that service (or benefactors of the activity) are entitled by statute or rule. These kinds of maintenance level changes are entered as maintenance level 1 items in BDS.

Be sure to identify projected caseload growth separately for each discrete service provided by the agency – at the same level of detail as forecasted by the Caseload Forecast Council.

Maintenance level 2 includes inflation and other rate changes

Costs related to inflation and mandatory rate changes are included in BDS as maintenance level 2 items. Examples of these types of changes include: OASI rate revisions, salary increments (for agencies with fewer than 100 FTE staff), existing lease/purchase contract payments, utility expenses, and increased costs for existing leases. Costs for new leases, moves, or acquisition of new space should be included in the performance/policy level budget request.

Salary increments

Because vacancy rates typically result in savings that can offset salary increment costs in large agencies, agencies exceeding 100 FTE staff per year should not include merit system salary increments in their maintenance level calculation. Smaller agencies may identify increments as long as the cost does not exceed 2.5 percent of annual salaries. If agencies believe they have justification for salary increments beyond these limits, they should include them in their performance/policy level. Salary increments should not be added for exempt or Washington Management Service (WMS) staff.

Nonappropriated expenditure adjustments

Unless they are part of a performance/policy level decision package, budgeted/nonappropriated expenditures beyond current allotment belong in the maintenance level 2 category. Decision packages for nonappropriated accounts that reflect a policy change should be requested in the performance level of the agency's budget. The 2007-09 budgeted level for nonappropriated funds will become the control numbers for the 2007-09 allotment of those accounts. For this reason, agencies should budget the maximum amount they anticipate spending in the ensuing biennium.

Agencies must use OFM-specified RecSum codes for selected maintenance level items

OFM has developed recommendation summary (RecSum) codes in order to more clearly identify certain maintenance level items of change at the statewide level. Agencies must use the RecSum codes identified below for these maintenance level changes. Agencies are free to use other available codes and titles for other maintenance level items.

Budget Level	RecSum Code	Description
Workload, caseload and utilization type adjustments		
ML1	8A	Federal Requirements Workload, DSHS
ML1	93	Mandatory Caseload Adjustments (For officially forecasted caseloads only)
ML1	94	Mandatory Workload Adjustments (For officially forecasted caseloads other than SPI)
ML1	95	Enrollment/Workload Adjustments, SPI
ML1	9R	Utilization Changes (DSHS only)
Wage and compensation type adjustments		
ML1	9C	Initiative 732 COLA
ML2	8C	Minimum Wage Adjustments
ML2	97	Merit System Increments (for agencies with fewer than 100 FTEs)
ML2	99	OASI Adjustments
ML2	9P	Pension Adjustments, other than rate changes
ML2	8R	Retirement Buyout Costs

Budget Level	RecSum Code	Description
Budget structure change, cost allocation and transfer type adjustments		
ML2	8D	Budget Structure Changes (LEAP-approved)
ML2	9T	Transfers (between programs, agencies, years, or funds)
ML2	8Y	Cost Allocation Adjustment (cost must net to zero within the agency)
Specific cost type adjustments		
ML2	8E	Interagency Rate Changes (Motor Pool, Personnel Services Charges, etc.)
ML2	8F	Fuel Rate Adjustment
ML2	8L	Lease Rate Adjustments
ML2	8M	Mileage Rate Adjustments
ML2	8P	Postage Rate Adjustments
ML2	8U	Utility Rate Adjustments (for non-General Administration utility billings)
ML2	96	Fire Suppression 10 year average adjustment (DNR only)
ML2	9H	FMAP Match Adjustment
ML2	9I	K-12 Inflation
ML2	9K	Levy Equalization Update (SPI only)
ML2	9V	Operating costs for just completed capital projects
ML2	9M	Medical Inflation
Summary and recast type adjustments		
ML1	90	Maintenance Level Revenue (not related to expenditure decision packages)
ML2	9Z	Recast to Activity
OFM use only		
ML2	91	Workers Compensation Changes (OFM use only)
ML2	92	Central Service Agency Charges (OFM use only)
ML2	98	General Inflation (OFM use only)
ML2	9D	Pension Rate Changes (OFM use only)

How to treat payments to central service agencies in maintenance level

Do not include maintenance level changes for payments for the central service accounts listed in Section 13.3 in the agency budget submittal. They will be added by OFM in the fall when decisions have been made on these central service agency budgets. Agencies will be provided with a base amount and proposed fund splits in the spring and will be asked to review and request changes to fund splits at that time. (See Section 13.3 for more information.)

5.3 Inflation for maintenance level

OFM will calculate general inflation this year

OFM will calculate the general inflation to be included in agency maintenance level budgets. It will be applied to agency budgets after they are submitted. OFM will use an approach to calculate inflation similar to historical methods.

OFM will use the following inflation factors, which are based on economic forecasts of the Implicit Price Deflator (IPD) for personal consumption, as measured by the U.S. Department of Commerce. The IPD is used for determining inflation for state budgeting purposes because it is considered more representative of the general mix of goods and services purchased by the state than other indicators available. The other primary inflation index, the Consumer Price Index (CPI), may not adequately allow for the effects of technology and quality changes.

Inflation Factors by Fiscal Year – Percentage Change

	Actual	Forecast	→		
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
% Change	2.7	2.8	1.8	2.0	2.0

A special inflation rate is sometimes warranted for certain costs

If an agency believes a different rate is justified for certain types of costs (medical inflation, for example), it may prepare a decision package for the difference between the rate shown above and the proposed rate. The agency should be able to reference some objective standard or index to support the special inflation rate.

5.4 How to treat unanticipated receipts

What are unanticipated receipts?

“Unanticipated receipts” are monies received from the federal government or other non-state sources that were not anticipated in the budget approved by the Legislature and can only be used for a purpose specified by the grantor. A statutory process described in RCW 43.79(270) allows agencies to request expenditure authority for these unanticipated revenues through OFM.

Where should they be included in the budget?

OFM will work with agencies to review unanticipated receipts already approved this biennium to determine whether there is a realistic expectation that the original funding source support will continue. If so, and if the activity continues to be consistent with statewide priorities, the funding should be included in the 2007-09 budget request. This will enable the Legislature to consider the activity as part of the regular budget process.

OFM will confirm if the item should be included in carry-forward or other budget level. Be sure to use federal or private/local appropriation type rather than an unanticipated receipt appropriation type for these items.



SECTION 6

Policy and Performance Level

6.1 What is the policy and performance level?

What is the policy and performance level?

Incremental expenditure changes that do not fall within the definitions of carry-forward or maintenance levels are considered policy or performance changes. These changes may represent revised strategies or substantial differences in program direction, and can include proposed program reductions. Each significant change to current performance must be justified in a decision package.

Here are some examples of policy and performance level items.

Discretionary Workload – The expenditures necessary to address workload not defined as mandatory.

New Programs or Services – New programs or any change in the level or scope of existing programs. This category also covers improvements that would result in more effective delivery of services, or higher quality services, and proposals for enhanced employee development or training programs. Funding for new programs requiring legislative authorization is also to be included in the Recommendation Summary. (See Section 1.5.)

Program Reductions and Other Changes – Requests for new programs can sometimes replace lesser priority programs. Any policy decision that would result in a reduction of services or clients should be displayed as a separate decision item.

Use specified RecSum codes for certain items

OFM has developed Recommendation Summary (RecSum) codes in order to summarize certain common items of change at the statewide level. Agencies must use these codes for the following types of changes designated by OFM.

Budget Level	RecSum Codes	Description
Performance	9X	Self-Insurance Premiums, Experience
Performance	81-89	Responses to Targeted Budget Instructions (Agencies should provide a descriptive decision package title.)

Performance Level decision packages must be allocated by activity

Each performance level decision package must indicate the costs and FTEs by activity. (See Section 2.3 for more information about this requirement.)

6.2 Agencies may receive “targeted budget instructions”

OFM will ask some agencies to submit additional information in their budget submittal

OFM will ask some agencies to submit specific budget decision packages or additional information as part of their budget submittal. There are two key drivers for these requests:

- The Priorities of Government result teams recently recommended areas of budget focus – ideas for improving results, reducing activity costs, or gaining research to aid the evidence-based prioritization of activities. OFM has selected a number of these proposals and requested agencies to prepare proposals or information as part of their 2007-09 budget submittals.
- HB 1242 was enacted in the 2005 legislative session, establishing new requirements for performance measure review and follow-up. Key new requirements include:

- Each agency must establish performance measures for each major activity in its budget that measure whether the agency is achieving or making progress toward the purpose of the activity and toward statewide priorities
- OFM must regularly conduct reviews of selected activities to analyze whether the measurements submitted by agencies demonstrate progress toward statewide results
- When a review determines that the agency's measurements demonstrate that the agency is making insufficient progress toward the goals of any particular program or is otherwise underachieving or inefficient, **the agency's budget request shall contain proposals to remedy or improve the selected programs**
- The Governor's operating budget documents shall identify activities that are not addressing the statewide priorities.

[RCW 43.88.090, RCW 43.88.030(4)]

How will targeted instructions be issued?

OFM will issue targeted budget instructions in a memorandum addressed to the agency director. Instructions resulting from the Priorities of Government process may be issued separately from the instructions resulting from performance measure reviews.

Not all requests will require a budget decision package

The type of information requested in the targeted budget instructions is expected to vary. In some cases, OFM will specifically ask for a budget proposal. Sometimes the agency may choose to respond to a more general request with a specific budget proposal. In other cases, OFM will ask for a legislative proposal, an analysis or research that does not require a decision package. This type of information should be included in the budget request notebook, but a decision package is not required.

Decision package responses to a targeted budget instruction should use a recsum code in the 81-89 series.



SECTION 7

Salary, Pension, and Insurance Data

7.1 Agency compensation data collection and update

The initial salary data collection process for collective bargaining is underway

The Governor's Office, supported by the Labor Relations Office (LRO) in OFM, negotiates collective bargaining agreements for state governmental agencies and for some institutions of higher education. The nature of collective bargaining requires OFM to have salary data at the employee level. OFM must be prepared for proposals that may group employees by bargaining unit, classification, range and step, years of service, etc. It also is necessary to have compensation data available at this level of detail for non-represented state employees in order to permit similar calculations for the non-represented groups.

In January 2006, OFM began its data collection for 2007-09 collective bargaining salary negotiations and budgeting for all state employee salaries and benefits. This data is needed so that agency budgets can include the correct amount of funding for labor agreements and compensation changes.

Agencies may update 2007-09 data in June

In June 2006, agencies will be given a second opportunity to ensure that their data is in line with their 2007-09 proposed maintenance level. Governmental (non-higher education) agencies should add or delete positions in the SPS CIM Release file to match the annual average 2007-09 FTE Level at Maintenance Level. Higher education institutions will continue to use the CIM-Agency Interface System to do the same.

It will be important for agencies to take a fresh look at the data, with the goal of making the following corrections:

- If Agency Maintenance Level FTEs differ from the FTE level submitted to the Compensation Impact Model, please provide an explanation of the difference to Jane Sakson at Jane.Sakson@ofm.wa.gov.
- Update bargaining unit coding to accurately reflect the agency's employee representation.
- Correct fund source designation, if necessary. The new Pension Funding Stabilization Account, however, should not be used as a funding source.

- Certain agencies should update the pension system code on employees electing to join the new Public Safety Employees' Retirement System (PSERS). Please see Section 7.2 below for more information. A table with all pension system codes is displayed in Section 7.3.

The specific deadline and any additional instructions for the June update will be provided via e-mail to agency budget officers and SPS users later this year. Budget managers should ensure that OFM has on record the appropriate system users and email addresses in order for this communication to reach the appropriate staff.

Resources

If you have questions regarding this process, please contact Jane Sakson, OFM Budget Assistant to the Governor, at (360) 902-0549 or Jane.Sakson@ofm.wa.gov, or Pam Davidson, Senior Budget Assistant to the Governor, at (360) 902-0550 or Pam.Davidson@ofm.wa.gov.

7.2



New Pension System will Affect Some Agencies

New Public Safety Employees' Retirement System takes effect July 2006

Members of PERS Plan 2 or Plan 3 prior to July 1, 2006, who are employed as a public safety employee on July 1, 2006, will have the choice of joining the new system (PSERS Plan 2) or remaining in PERS. Employees hired into public safety positions on or after July 1, 2006, are mandated into PSERS Plan 2. Public safety employees in PERS Plan 1 must remain in PERS. Additionally, only employees who are employed on a **full-time, fully compensated basis** by a PSERS employer in a PSERS position are eligible for PSERS. Affected agencies are:

- Department of Corrections
- State Parks and Recreation Commission
- Gambling Commission
- State Patrol (not troopers)
- Liquor Control Board

Only certain positions within these agencies are eligible for PSERS. If you have any questions about specific positions within an affected agency, please consult the Department of Retirement Systems for assistance. DRS also has information regarding this new retirement system on its website at <http://www.drs.wa.gov/employer/default.htm>.

It is important for agencies to reflect this change in the compensation data released to OFM for the 2007-09 budget development, in order that pension costs can be appropriately calculated for the new system. During the June 2006 SPS update window, the agencies listed above should **change those current employees who elect to move** from PERS 2 or PERS 3 to PSERS 2 to the new pension system code, N2. **All full-time vacancies expected to be filled after July 1, 2006 must all be coded as N2.**

7.3 Valid Pension System Codes

The following table reflects all valid pension system codes for the 2007-09 Biennial Budget.

Retirement Systems	Description
H1	Higher Education System - 5% Contribution Rate
H2	Higher Education System - 7½% Contribution Rate
H3	Higher Education System - 10% Contribution Rate
J2	Judicial Retirement System (capped)
R1	Judicial Retirement Account Plan I
R2	Judicial Retirement Account Plan II
L1	Law Enforcement Officers and Fire Fighters – Plan I
L2	Law Enforcement Officers and Fire Fighters – Plan II
N2	Public Safety Employees' Retirement System
P1	Public Employees' Retirement System (PERS) – Plan I
P2	Public Employees' Retirement System (PERS) – Plan II
P3	Public Employees' Retirement System (PERS) – Plan III
T1	Teachers' Retirement System (TRS) – Plan I
T2	Teachers' Retirement System (TRS) – Plan II
T3	Teachers' Retirement System (TRS) – Plan III
S1	Washington State Patrol Retirement System—Plan I
S2	Washington State Patrol Retirement System—Plan II

7.4 Other compensation cost notes

Salaries

Agencies should use the base salary calculations on the January 1, 2006 salary schedule. (Some adjustments will be made to some classes in the July 1, 2006 schedule; affected agencies may use this as the base.) Discuss the use of any other compensation plan with your OFM analyst before using it in a budget request.

Agencies should not budget for overtime, sick leave or shared leave.

Workers' Compensation Costs (Medical Aid and Industrial Insurance)

OFM will coordinate with the Office of Actuarial Services at the Department of Labor and Industries to determine agency rates and add workers' compensation rate adjustments to agency budgets. Agencies should not submit decision packages for workers' compensation.



SECTION 8

Agency Revenues and Fund Balance Reports

8.1 Summarized Revenues report

What is the Summarized Revenues report?

Agency revenue estimates are used to identify funds that support agency expenditure requests, and to assist in estimating statewide fund balances. The Summarized Revenues report form shows the revenues that are expected for budgeted funds in the ensuing biennia. The report also includes Recommendation Summary text for each revenue-related decision package entered. (This form replaces the old B-9 Revenues form. An example can be found on the budget forms page at <http://www.ofm.wa.gov/budget/forms.asp>.)

Who must submit the Summarized Revenues report?

Any agency that collects, deposits, transfers, or reports revenue for any budgeted account must complete and submit a Summarized Revenues report. Only those revenue transactions executed by an agency are reported by that agency. For example, the State Treasurer, rather than individual agencies, would report interest earnings (source 0408).

Be sure to include revenue related to both the operating and capital budgets on this form.

How is the data used?

The ensuing biennium revenue estimates from agencies are combined with beginning fund balances, working capital reserve, current biennium revenue actuals and estimates, and proposed expenditure data to determine an account's estimated 2007-09 ending fund balance.

What information is required?

Agencies must submit maintenance level and policy level revenue estimates for the 2007-09 Biennium by fiscal year, account, major source and source. Revenue estimates should be reported on a GAAP basis.



Revenue data

OFM no longer requires current biennium estimates for revenue. With one exception, total maintenance level revenue for the 2007-09 Biennium may be entered in a single step as one revenue-only decision package with the M1-90 code. The exception: the revenue adjustments related to a decision package for expenditure change requests should be included with that decision package and not included in the M1-90 package.

Agencies may still choose to enter information at the current biennium and carry-forward levels in BDS, but this information will be rolled together as a maintenance level total on the Summarized Revenue report and upon submittal to OFM.

Revenue changes that result from maintenance or performance level items should be captured in the same decision package as the expenditures for that item.

Separate policy level revenue items must be submitted in separate decision packages.

Explanation of Assumptions

In any decision package containing revenue, please include the following information in the decision package narrative.

- Key assumptions underlying the estimate of each revenue source.
- If the health and continued viability of the revenue source is in question, please discuss why and the expected impact.

What if an account is only partially budgeted?

When an account is partially budgeted, the agency should not report revenue associated with the non-budgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only the administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. The administering agency should be sure that reported revenue is sufficient to cover the budgeted expenditures for all agencies that spend from that account. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

A reminder about balancing federal and private/local revenues and expenditures

For all accounts, federal revenue must equal federal expenditures shown in the agency's budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'federal match by agency' rule include:

- State Treasurer, Fund 113-Common School Construction Account. The State Board of Education spends this on K-12 school construction.

- Military Department, Fund 05H-Disaster Response Account. Federal revenue will exceed expenditures by the amount of recovery dollars received when disasters are closed out. These dollars become state fund balance, which offsets federal expenditure variance.
- DSHS, Fund 001-General Fund Federal. After expenditures are settled, match revenue leaving a positive variance to offset negative variance in Veterans Affairs. These funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Department of Veterans Affairs, Fund 001-General Fund Federal. Negative variance is offset to positive variance at DSHS. Funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Employment Security, Fund 119-Unemployment Compensation Administration Account. Carry forward fund balance from previous biennium.

Similarly, private/local revenues must equal private/local expenditures shown in the agency's budget (both operating and capital), unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'private local match by agency' rule include:

- Criminal Justice Training Commission, Fund 03M-Municipal Criminal Assistance Account. Carry forward fund balance from previous biennium.
- DSHS, Fund 001-General Fund Private/Local. After expenditures are settled, match revenue.
- DOH, Fund 001-General Fund Private/Local. Shellfish revenue collected by F&W and spent by DOH.
- Fish & Wildlife, Fund 001-General Fund Private/Local.
- Shellfish revenue collected by F&W and spent by DOH.

The Budget Development System (BDS) will produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

Use BDS for preparing the report

Agencies must use the Budget Development System to prepare the Summarized Revenues report. BDS will generate the Summarized Revenues report based on the revenue entered in the decision packages. Please contact the BASS Helpdesk at (360) 725-5278 or bass-request@listserv.wa.gov if you need information about or access to the system.

Use prescribed revenue and source codes

Please use the correct two-digit major source code and two-digit source code to identify each type of revenue. Please refer to the list of official revenue source codes in the State Administrative and Accounting Manual (SAAM) for the appropriate revenue source codes and titles. (<http://www.ofm.wa.gov/policy/75.80.htm>)

Updating revenue estimates

OFM uses the Economic and Revenue Forecast and Transportation Councils' September and November forecasts for funds that they and participating agencies forecast. Other agencies that prepare revenue forecasts for dedicated funds are also required to provide updated data to OFM in September and November so that the most current estimates are used to determine budget levels.

8.2 Fund Summary and fund balancing

Fund administrators must coordinate with other agencies on the projected 2009 fund balance

Administering agencies for specific accounts need to coordinate with other agencies using that account to ensure that combined budget proposals do not put the account into a projected negative fund balance at the end of the 2007-09 Biennium.

If you have questions regarding which agency is considered the fund administrator, consult the Fund Reference Manual, which lists the administrator for each account, as well as other information. The Fund Reference Manual can be found on the OFM website at <http://www.ofm.wa.gov/fund/default.asp>.

OFM will send agencies the beginning budgetary fund balances that will be used for the budget

The Governor must prepare a budget proposal that is balanced for every account each biennium. Beginning fund balances for the current biennium are based on Comprehensive Annual Financial Report (CAFR) data. These balances are adjusted to create beginning “budgetary” or “spendable” fund balances and are not the same as ‘cash’ or ‘book’ balances. OFM will notify agencies in the spring of the adjusted beginning balances it plans to use based on the General Ledger (G/L) codes listed below.

Governmental Funds

In the case of Governmental Funds, all Revenue (32xx) and all Expenditure (65xx) codes and the following fund balance general ledger (G/L) codes are included in beginning fund balance:

- 9220 Prior Period Material Corrections
- 9221 Fund Type Reclassification Changes
- 9222 Accounting Policy Changes
- 9223 Fixed Asset Policy Changes
- 9510 Reserved for Encumbrances
- 9513 Reserved for Encumbrances for Reappropriated Capital Appropriations
- 9514 Reserved for Encumbrances for Continuing Operating Appropriations
- 9531 Reserved for Permanent Funds - Expendable Portion
- 9532 Reserved for Permanent Funds - Investment Losses
- 9578 Designated for Debt Service
- 9580 Other Designated Fund Balance
- 9590 Unreserved/Undesignated Fund Balance

Proprietary funds

In the case of proprietary funds, restricted and long-term assets and liabilities are removed by excluding the following G/L codes from beginning fund balances, thereby converting proprietary fund balances into meaningful budgetary balances. The G/L codes excluded in calculating the budgetary fund balance for proprietary funds are listed below:

Note: An x indicates all G/L codes within that series are excluded.

- 1130** Petty cash
- 1140** Cash with escrow agents
- 1150** Cash with fiscal agents
- 12xx** Investments (except 1205-Temp./Pooled Cash Investments)
- 1410** Consumable inventories
- 1440** Raw materials inventories
- 1450** Livestock
- 1510** Prepaid expenses

- 16xx** Long-term receivables (except 1656-Advances Due from Other Funds)
- 19xx** Other assets
- 2xxx** Fixed assets
- 3110** Approved estimated revenues
- 32xx** Accrued/Cash/Non-Cash Revenues
- 5114** Annuities payable, short-term
- 5118** Benefit claims payable, short-term
- 5125** Annual leave payable, short-term
- 5127** Sick leave payable, short-term
- 5128** Compensatory time payable, short-term
- 516x** Short-term portion of bonds payable
- 5172** Lease payable, short-term
- 5173** COP payable, short-term
- 5197** Obligations under securities lending agreements
- 52xx** Long-term liabilities (except 5256-Advances Due to Other Funds)
- 59xx** Other credits
- 61xx** Appropriations and estimated expenditures
- 62xx** Allotments
- 63xx** Reserves
- 6410** Encumbrances
- 65xx** Other Expenses
- 91xx** Budgetary control summary
- 92xx** Correction/Changes
- 93xx** Contributed capital and capital investments net of related debt
- 94xx** Retained Earnings
- 95xx** Reserves and designations
- 96xx** Other Reserve Accounts

8.3 Transfer Reconciliation Statement

When must a Transfer Reconciliation Statement be submitted?

Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the Summarized Revenues report (i.e., transfers between budgeted and non-budgeted funds), a Transfer Reconciliation Statement is required as part of the revenue justification material. This statement will assist the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the Transfer Reconciliation Statement.

SOURCE 0621—TRANSFERS IN:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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SOURCE 0622—TRANSFERS OUT:

<u>Fiscal Year</u>	<u>Amount</u>	<u>From Account</u>	<u>To Account</u>	<u>Purpose</u>
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8.4 Working Capital Reserve (B9-1)

Who must submit this statement?

The administering agency of a special revenue fund must also submit a Working Capital Reserve form (B9-1) listing the recommended ending fund balance for those accounts. (An example can be found on the budget forms page at <http://www.ofm.wa.gov/budget/forms.asp>.)

Use BDS for preparing the report

Agencies use the Budget Development System to prepare this report. BDS includes the appropriate worksheet and prints the report.

Things to consider when estimating a reasonable working capital reserve

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. For most funds, a reasonable amount would be sufficient to cover two months' worth of cash expenditures.

The recommended balance should be entered for each account that needs a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. Administering agencies may find it prudent to recommend a higher ending balance because of volatile revenues, unique cash-flow cycles, or to offset an operating deficit in the ensuing biennium. Administering agencies should ensure sufficient balance to cover compensation, central service agency charge increases, and other cost adjustments typically made by OFM after agency budgets have been submitted.

Since only administering agencies may enter a recommended reserve, they should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

8.5 How to avoid common revenue errors

Reminders

Here are some helpful reminders to avoid errors in calculating your agency's revenue estimates:

- Match federal and private/local revenue to the combined expenditures of both the operating and capital budgets for the biennium. (See Section 8.1 for a list of exceptions.)
- Ensure there are sufficient revenues to cover dedicated account expenditures.
- Do not submit estimates for revenue that is actually collected by another agency.
- Include revenue that is collected by your agency, even if spent by another agency.
- Do not include interest earnings (Source 0408) since these are part of the Treasurer's Office estimates.
- Do not forget to provide estimates for sources resulting from recently passed revenue legislation.



SECTION 9

Performance Measures

9.1 Activity performance measure targets

Why is performance measurement important?

Performance measurement makes accountability possible. It attempts to ask and answer a simple question: “Are we making progress towards achieving our targeted results?” A credible answer to this question is backed by evidence, which comes from performance measures.

Information about the effectiveness of an activity purchased in the budget is important to gauge whether the investment has proven worth the cost. Analyzing performance can help agencies and analysts learn about how to improve that performance and whether other strategies can contribute more toward activity and statewide results.

Statewide result and strategy indicators are available in reports

Through the Priorities of Government process, the state continues to develop key indicators of success for the ten statewide results and the high-level strategies selected to implement those results. Agencies can now access those indicators by running a Result Area Performance Measure report through Enterprise Reporting at <http://reporting.ofm.wa.gov/logonform.csp?action=logoff> (or <https://fortress.wa.gov/ofm/reporting/> for fortress users). These reports will display the result and strategy indicators developed to date for the selected result area, as well as the performance measures and expected results statements for each activity supporting each strategy.

Submit performance measure target information for each activity



In the strategic plan due to OFM on June 1 and in the budget submittal, agencies are required to propose at least one performance measure for every major activity. (This is now required by RCW 43.88.090.) The measures should be able to be used to determine whether the agency is achieving or making progress toward the purpose of that activity and toward statewide priorities. For the most part, measures that tell the story about whether an activity is achieving its purpose will be found in the middle range of the logic model – measures of intermediate or immediate outcomes, and outputs. (Appendix A-4 provides an example of the logic model.)

For the budget submittal, agencies must specify targets for these activity measures.

Required totals for each performance measure

For each performance measure linked to an activity in BDS, please indicate:

- The actual performance levels attained for Fiscal Years 2004 through 2006 and the estimate for Fiscal Year 2007. **Amounts in the Performance Measure Tracking system will automatically be carried to performance progress reports so there is no need to re-enter this information if it exists.**
- The performance level target for Fiscal Years 2008 and 2009, assuming all of the agency's proposed decision packages are enacted. (Each decision package that affects the measure should also note the incremental effect on the performance level.)

Each activity must have at least one performance measure or statement of expected result

OFM expects that each major activity in the agency Activity Inventory will have at least one performance measure as is now required by RCW 43.88.090. OFM will contact agencies about activities lacking required performance measures.

If the agency and OFM agree that it is not possible to identify an appropriate quantitative performance measure for an activity at this time, the agency must at least provide a narrative description of the intended outcome for the activity in the "expected results" text box provided in the system. **The agency will not be able to submit its budget to OFM unless each activity is linked to at least one performance measure or has an expected results statement.** The performance measure and expected results information will be printed on the Activity Inventory report that the agency must include in its budget submittal.

Frequently asked questions about performance measures**Q. Is each activity required to have a unique measure?**

No. An agency may have several activities that are all targeted toward achieving the same outcome. The system will allow you to link one measure to multiple activities. However, please make sure that the measures linked to an activity will indicate whether the agency is achieving or making progress toward the purpose of that activity and toward statewide priorities.

Q. Is it acceptable for an activity to have both performance measures and an expected result statement?

Yes. In many cases the combination of outcome description and quantitative measures may most clearly express the contribution the activity makes in achieving agency goals and statewide results.

Q. May new measures be proposed as part of the budget submittal?

Yes. You may add measures through the PMT system. You will be required to release the new measures to OFM prior to releasing your agency budget. A special release option for this is available to release only new measures to OFM. This will prevent the release of existing measures in various stages of editing for tracking purposes.

Q. I am confused by all the different terminology — outcome measures, activity measures, result area indicators, GMAP measures. Could you clarify?

Appendix A-4 offers descriptions and examples of different types of measures and clarifies terms being used in POG and GMAP.

What are the features of a good performance measure?

A good activity performance measure:

- Indicates whether the activity is achieving its purpose or is contributing to statewide results
 - Immediate and intermediate (and in some cases high-level) outcome measures are preferable, although in some cases output and efficiency measures help to tell the story.
- Is reliable, accurate, and verifiable
 - Is the measure too broad? Can it be measured with enough accuracy for the data to be relied upon for decisions?
- Is understandable and relevant to citizens and stakeholders who may have little or no knowledge of agency operations
 - State the measure in clean and brief terms.
 - Do not use jargon or acronyms.
 - Use footnotes to clarify if necessary.
 - Remember that the measures will sometimes be sorted by result area, out of their agency context. Can the statement of measure be understood on its own?
- Is stated in positive terms (or in terms of the desired outcome)
 - For example, “Percentage of users in compliance” is better than “ number of users out of compliance.”
- Is connected to challenging, yet achievable targets
 - In the case of new measures, with no past experience on which to base a target, use literature searches, industry

standards, comparable organization benchmarks, customer requirements, or other potential sources of comparison to set realistic targets.

- Can be obtained at a reasonable cost and effort
 - Proxy measures are sometimes appropriate as ‘next best’ measures where it is not cost-effective or feasible to collect true outcome measures.

Where can I find help in developing performance measures?

The Governor’s Office of Management, Accountability and Performance, in conjunction with the Department of Personnel, is now offering workshops to build agency expertise in performance measure development. You can find information about these workshops at <http://www.dop.wa.gov/Employees/TrainingAndDevelopment/GMAP.htm> or by contacting Lynne McGuire at lynne.mcguire@ofm.wa.gov for other guidance on developing performance measures.

9.2 Performance Measure Incremental Estimates Report

Indicate the effect of decision packages on activity performance

As discussed in Section 4.2, **a decision package should describe the change in performance that can be expected from the investment.** If this change in performance is a change in one of the activity performance measures reported in the system, agencies should indicate the incremental change in that performance measure related to that decision package. If the decision package will contribute to some other ongoing activity result, the agency should establish a new measure in the system for that activity. Any activity performance measure descriptions established in BDS will be available on the selection list in the decision package screen.

If the decision package is expected to bring about some other kind of performance change — a change that would not be relevant as an ongoing measure of activity results – please do not create a performance measure for the sole purpose of describing the effect of a decision package. This information should be described, and if possible, quantified in the decision package narrative.

These incremental changes recorded in the BDS decision package console will be listed in the Performance Measure Incremental Estimates report that is required as part of the budget submittal.



SECTION 10

Facility Maintenance and Links to the Capital Budget

10.1 Linking the operating and capital budgets

Relationships between the operating and capital budgets

While agencies will submit a separate capital budget request, facility-related costs may appear in both the operating and capital budgets. The agency should ensure that:

- The operating budget includes all facility maintenance costs related to the capital budget request or to previously authorized facilities.
- The operating budget reflects operating impacts for capital projects completed during, or just prior to, the 2007-09 Biennium.
- The capital budget, like the operating budget, is derived from the agency's strategic plan.

The OFM capital budget instructions provide more information on capital budget submittal requirements and the expected links between the strategic plan and capital budget submittals. This section is meant to provide a checklist for agencies to synchronize their capital and operating budgets.

Is the capital budget request consistent with decision package responses?

In the decision package, under the heading "Relationship to Capital Budget," agencies must answer the question: "Can existing facilities accommodate this program without remodeling or renovation?" A "no" answer indicates a capital budget request may be appropriate.

Is the operating budget request consistent with the Deferred Maintenance Backlog Reduction Plan?

In the capital budget instructions, OFM will ask agencies to submit a Deferred Maintenance Backlog Reduction Plan (DMBRP). Generally, the operating budget should handle maintenance and the capital budget should handle repairs over \$25,000.

The DMBRP will describe the extent of the agency's deferred repair and renewal, how deferred maintenance, repair and renewal needs are changing over time, and whether any of the deferred backlog affects delivery of the agency's essential services.

The DMBRP should also include the agency's strategy for reducing its backlog. The cost of ongoing maintenance in operating budgets must be coordinated with proposals for facilities preservation projects in agency capital budgets. Please be sure your decision package narrative indicates whether the proposed request for maintenance will reduce the backlog.

Are capital project requests integrated with operating budget decision packages?

The Capital Project Request report requires information about operating budget costs (or savings) associated with a proposed capital project. OFM will review decision packages and Capital Project Request reports together to better understand the relationships and costs of agency programs and the facilities that support them.

Ensure consistency between operating and capital budget requests

In order to ensure consistency between your operating and capital budget requests, please:

- Make sure the agency's Ten-Year Capital Plan supports the agency strategic plan submitted to OFM on June 1.
- Discuss in the capital budget the agency activity performance measures affected by each individual capital project in the Ten-Year Capital Plan.
- Indicate in the capital budget the appropriate activity(ies) in the agency's activity inventory that are affected by each individual capital project request.
- Include lease or debt service costs for alternate-financed capital projects in the agency's operating budget during the biennium in which they occur.
- Include operating and maintenance cost estimates in the agency's operating budget for capital facilities or for land acquisition or improvement where the primary purpose is recreation or wildlife habitat conservation.
- Include in the agency's operating budget the costs associated with construction, renovation, and occupancy of space in Thurston County owned and managed by the Department of General Administration.



SECTION 11

Information Technology Portfolios

11.1 Information technology portfolios and the budget context

IT project requests need to reflect the portfolio planning and management process

The Information Services Board (ISB) and the Legislature have adopted information technology (IT) portfolios as the planning and management process for IT resources. The portfolio management process integrates agency strategic planning, technology planning, and the budget process.



The portfolio includes all of an agency's current and planned IT assets, projects, investments and acquisitions that are important to the organization. **Agencies making budget requests for IT investments should do so in the context of their IT portfolios. Also, the agency's IT portfolio must include significant IT budget request items.**

ISB policies regarding portfolio management are available at <http://isb.wa.gov/policies.aspx>.

IT Portfolio resources

Agencies should contact their Department of Information Services consultant early in the planning process for any significant IT budget request item. The consultant can also be contacted for additional assistance or information on the IT Portfolio.

Agencies may also find valuable information and guidance on analyzing and building a business case for information system options at this Information Services Board link: <http://isb.wa.gov/committees/coresystems/index.aspx>.

Agencies should consider common system solutions first

From a state enterprise perspective, certain business needs may be best met through common, central systems or services. The budget review process will include an evaluation of all planned IT investments in an agency's portfolio for alignment with enterprise services or solutions.

OFM Accounting Division and ISB/DIS approval is required for financial or administrative systems investments

Agencies must receive written approval from the OFM Assistant Director for Accounting before beginning any significant financial or administrative system development, enhancement, or acquisition. (Per SAAM 80.30.88.b, “significant” means requiring the equivalent of six or more staff-months of effort.) Written approval from ISB and DIS must also be obtained. Approval is required regardless of the funding source or whether additional funding is requested. **The OFM approval letter must accompany decision packages requesting funding for financial or administrative systems.**

The approval process takes approximately 60 days and focuses on how well the proposed investment fits with the *Roadmap* plan (see next section). If OFM Accounting or DIS find that an agency lacks the information to determine whether a system will involve a significant investment in financial or administrative systems technology, the agency may be asked to study its needs further and resubmit its request at a later time.

More information about the approval process, requirements, and evaluation criteria can be found in Section 80.30.88 of the Statewide Accounting and Administrative Manual (SAAM) at <http://www.ofm.wa.gov/policy/80.30.htm> and the system approval page at <http://www.ofm.wa.gov/systemsapproval/default.asp>.

Agency financial and administrative systems investments must fit with the *Roadmap* plan

Over the next ten years, the *Roadmap* program will implement incremental financial and administrative policies, processes, data and systems improvements to support:

- Widespread adoption of enterprise best practice business policies, practices, and streamlined business processes to support more efficient delivery of state services to Washington citizens and agencies.
- Improved core enterprise management systems to ensure alignment with performance management directions, to provide valuable strategic management information, and to ensure accountability.
- Leveraging statewide investments in systems and data to reduce costs and achieve economies of scale.

Business processes within the *Roadmap* scope include procurement, accounts payable, vendor information, general ledger, contracts, grant and project accounting, accounts receivable, cost accounting, budgeting, allotments, and asset management. Financial and administrative business processes also include the human resources, payroll, and labor distribution functionality addressed by the new Human Resource Management System.

Wherever possible, agencies are asked to wait for the *Roadmap* solution rather than investing in agency unique solutions for these business processes. However, the *Roadmap* program recognizes that alternative strategies will be necessary to accommodate some urgent agency business needs that do not coincide with the established scope and schedule of the *Roadmap* program. Requests for approval of systems with a primary or significant focus on *Roadmap* business processes are likely to be denied or substantially restricted unless the proposal contributes to the state's strategic direction for financial and administrative systems. The *Roadmap* [*Urgent Business Needs Strategy*](#) document describes the proposed process for reviewing agency proposals.

More information on the *Roadmap* program can be found at:
<http://www.ofm.wa.gov/roadmap/default.htm>.

11.2 Submittal requirements for information technology requests

IT-related decision packages must be sent to OFM and DIS



Agencies must send copies of completed decision packages that include any IT investments to both OFM Budget and DIS. This requirement is not limited to financial or administrative systems investments.

DIS will assist OFM Budget in evaluating IT budget requests



The IT portfolio process requires that each proposed investment be rated for the severity and risk exposure that it creates. The severity and risk ratings range from 1 (the least severe and/or risky) to 3 (the most severe and/or risky). For more guidance, refer to the ISB portfolio management policies at <http://isb.wa.gov/policies/planning.aspx>.

Each proposed investment rated level 2 or 3 will be formally evaluated by DIS. Each proposed investment rated level 1 will be informally evaluated by DIS.

What additional information is needed for an IT investment decision package?



Agencies must include the severity and risk ratings worksheets with their IT investment decision packages. The decision package must include an Investment Analysis section for each proposed new IT investment. Agencies should contact their DIS consultant early in the process of developing plans that will be used in the analysis. While agencies may supply additional documentation in support of the proposal, the Investment Analysis section must include the following components:

Description

- Describe the proposed IT investment, including, but not limited to, expected customers and transaction volume, the nature of the business, and how the current process functions.
- Provide a copy of, or the electronic link to, the agency's most recent IT portfolio.

***Business
value/metrics, and
cost-benefit analysis***

- How would the investment change the experiences of the public, business partners, and employees in dealing with the agency? How does the investment support strategic use of the Internet in the delivery of services, and improve open electronic access to agency information?
- Describe the breadth of benefits that accrue in terms of the number of citizens or state and local agencies or programs affected. Document expected benefits with metrics relating to areas such as increased revenue, cost savings, cost avoidance, error reduction, business process improvements, efficiencies for customers, customer satisfaction, coordination of services, and service outcomes. The extent to which these metrics are achieved will represent an important aspect of project success.
- Describe the costs for the proposed investment. Include all investment costs including internal resources, which means that the dollar figures may differ from those in the funding request. Agencies should also explain how the cost-benefit analysis supports the investment decision. Describe the assumptions used and how costs were estimated.

***Enterprise Architecture
and technological
feasibility***

- Describe the relationship of the investment to the agency's and the state's IT infrastructure. Does it align with adopted components of the state's Enterprise Architecture program? The link to the Enterprise Architecture program is <http://dis.wa.gov/enterprise/enterprisearch/index.aspx>.
- Describe the agency's track record of success with the proposed technology. How was the proposed technology selected and what alternatives were considered? Does the agency have the IT capacity and resources to support the result of this investment? If not, does the investment provide the required IT capacity?

***Project Management
and application of
success factors***

- Describe the approach to manage the investment project, including the application and tracking of success factors, the securing of executive sponsorship, the use of external contractors, the application of continuous risk management techniques, and the development of both a communications plan and a high-level organization plan with assigned roles and responsibilities. The current set of success factors are based on industry research and lessons learned from projects within Washington. A description of the state's Project Management Framework is located at <http://isb.wa.gov/tools/pmframework/index.aspx>.

***IT portfolio and
business objectives***

- Describe how this investment supports the agency's business objectives, including the business, policy, and technical case for the investment. Consider the business objectives, critical nature of the mission, and resulting efficiency gains in the context of the agency's IT portfolio, its strategic plan, and the recommendations of the Priorities of Government results teams. If the investment was rated level 3, has the agency obtained ISB approval? If not, what are the agency's plans to seek ISB approval?

E-commerce

- If the proposal is related to an e-commerce project – an application accepting or disbursing funds or benefits electronically – the agency may be required to prepare an Economic Feasibility Study (EFS). If required, a copy of the approved EFS must be included. For more information on EFS requirements, please refer to the State Administrative and Accounting Manual at <http://www.ofm.wa.gov/policy/40.htm>.

***Support for statewide
data coordination
objectives***

- Describe the process for coordinating with other state agencies and other levels of government when appropriate. Describe the proposed information you share in common with other agencies and how your project will help to make the data seamless and comparable, and/or improve the accuracy, integrity, value, or usefulness of the information.

***Additional item for
enterprise-wide
application
investments***

- Describe the process for collaborating with the other agencies involved, the statewide group you are working with, and the lead agency. Where will the enterprise-wide application be hosted and who will provide ongoing maintenance and support? Describe the funding plan, including your agency's percentage of the total application cost, what happens if other agencies' portions of the investment are not funded, and the source of funds for ongoing maintenance and support. If this decision package replicates all or part of an existing or proposed enterprise-wide investment but is not a part of that effort, explain why.

**What criteria will DIS
use to evaluate IT
investments?**

DIS will use the following criteria to evaluate requests to fund new IT investments:

- Is the investment consistent with statewide and agency portfolio and business objectives?
- How well does the investment support the objectives of digital government?
- Does the investment demonstrate a high probability of contributing to and/or benefiting from an enterprise-wide solution?
- Does the agency present a sound business and technical case for the investment?
- Is the investment technically feasible?
- Are the estimates for costs, benefits, and schedule reasonable?
- How feasible is the approach to managing the investment? Are project management success factors in place?
- Does the investment demonstrate a high probability of contributing to the success of the agency?
- Has the proposal been coordinated with other state agencies using similar data?

The DIS evaluation will occur within the period established by OFM for decision package review. DIS will formally document and forward its evaluation and recommendations for level 2 and 3 investments to OFM and copy the requesting agency director. DIS also will notify OFM of its recommendations for level 1 investments and copy the requesting agency's director.

Submittal checklist

In summary, here are items required to be included in the agency budget submittal for IT project-related decision packages. These elements must be sent to both OFM and DIS.

- Decision package
- Risk and severity assessment
- IT portfolio (either link to an electronic plan or hard copy)
- OFM systems approval letter (if applicable)
- OFM economic feasibility study (if applicable)
- Other supporting documentation (if applicable)



SECTION 12

Risk Management and Self-Insurance Premiums

12.1 Agency self-insurance premiums decision packages

Risk management is a key strategy for reducing costs and improving outcomes

Risks are defined as anything that poses a potential barrier to an agency achieving its mandated and strategic outcomes. Risk management refers to the practices an organization uses to manage its risks. Risk management considers environmental, strategic, operational, and financial risks across the organization. It includes identifying, measuring, prioritizing, and responding to risk. Managing risk should be integrated with planning and operational processes and should be part of each decision-making process. The budget submittal offers a means for agencies to describe their risk management strategies, programs and needs.

Use a policy level decision package (9X) for self-insurance premiums

Later in the spring, OFM will notify agencies indicating the incremental change in the agency's self-insurance premiums for 2007-09 and the agency's loss experience. Use a separate policy/performance level decision package with a RecSum code of 9X for agency self-insurance premiums.

Information in the self-insurance premiums decision package

Please address the following topics in the narrative of the self-insurance premiums decision package. However, do not include confidential information related to specific closed/pending claims or lawsuits. Seek advice from assigned agency legal staff if there are questions regarding confidentiality issues.

1. **Self-Insurance Premiums** – Provide the dollar amount of your agency's self-insurance premiums for previous (2003-05), current (2005-07), and upcoming biennia (2007-09) in the decision package narrative. (In the fiscal detail area, enter only the incremental increase or decrease from 2005-07.)

2. **Past Agency Loss Trends** – Summarize your agency’s loss trends during the past five years. Include information to address whether the loss trends match the risks your agency has identified.
3. **Future Agency Loss Trends** – Summarize your agency’s potential future loss trends and explain strategies your agency will use to mitigate/preclude these losses from occurring in the future.
4. **Risk Management Goals and Measures/Recap** – Discuss your agency’s enterprise risk management goals and associated performance measures. Include a recap of the accomplishment of the 2003-05 goals.
5. **Risk Management Executive Order Recap** – Discuss the accomplishments your agency has achieved in response to Executive Order 01-05.
6. **Key Risk Analysis** – Discuss the key risks and challenges of the agency, and the level of risk it is willing to accept.
7. **Risk Management Goals and Measures Planned** – Discuss enterprise risk management goals and performance measures for 2007-09.

Resources to assist agencies

- The Risk Management Division (RMD) of OFM will provide a loss history profile of agency losses, including pending claims. Agencies can contact their assigned risk specialist with any questions about their profile.
- For additional risk management information and resources, including sample decision packages, visit the RMD website at <http://www.ofm.wa.gov/rmd/default.asp>.
- RMD staff is available to assist you with interpreting loss trends and developing risk management goals. Each agency is assigned a risk specialist who can work with you on this important budget item.



SECTION 13

Other Budget Reports

Reports in this section are additional items required because of statutory provisions or because they provide data not included in the regular forms. These instructions apply only to agency budgets with the indicated funds or activities. Samples are shown here or at <http://www.ofm.wa.gov/budget/forms.asp>.

13.1 Non-budgeted local fund summaries

Non-budgeted local fund summaries (RCW 43.88.030(1)(f))

The Non-Budgeted Local Fund Summary is used to summarize financial data for non-budgeted (nonappropriated/nonallotted) local funds that are outside the state treasury. Data can be entered in an Excel spreadsheet available from OFM. This information will be displayed in the Governor's budget document.

Instructions:

- a) Narrative description: List, in account code number sequence, all non-budgeted local accounts within the agency. Include the full title of each account, a brief description of purpose and source of revenue, and the statutory authority.
- b) Summary Financial Statement: In addition to the narrative descriptions described above, prepare a summary financial statement of fund balances on the B10 format. List each non-budgeted local fund by fund-class sequence.

The fund balances shown for June 30, 2007 and June 30, 2009 should be reported on a modified GAAP basis (refer to Section 8.2).

13.2 State matching requirements for federal funding

State matching requirements for federal funding (RCW 43.88.090(1))

Agencies must provide a list of any state matching requirements for federal grants (both operating and capital budgets) they receive. Please include this information in your budget submittal in a table like the sample shown below. The data includes:

- The federal catalog number
- The activity inventory number for the most significant activity using the grant in the operating budget
- The grant amount shown by federal and state fiscal year.
- The state match amount required in each of four state fiscal years – 2006-2009.

AGENCY	Page	
	Code	Title
	XXX	ANY AGENCY

2007-09 FEDERAL FUNDING ESTIMATES SUMMARY

DATE: 7-6-06

CFDA NO.*	Agency/	Federal Fiscal Year	State Fiscal Year	State Match Amounts
	Agency Total			
	FY 2006	6,459,857	6,502,000	175,000
	FY 2007	6,441,000	7,862,000	150,000
	FY 2008	6,925,000	8,485,000	175,000
	FY 2009	7,500,000	9,075,000	250,000
11.407	Department of Commerce Interjurisdictional Fisheries Act Activity # A102			
	FY 2006	5,000,000	4,500,000	50,000
	FY 2007	5,100,000	6,000,000	50,000
	FY 2008	5,500,000	6,500,000	50,000
	FY 2009	6,000,000	7,000,000	50,000
15.605	Department of Interior Sport Fish Restoration Act Activity # A105			
	FY 2006	945,000	1,438,000	125,000
	FY 2007	952,000	1,447,000	100,000
	FY 2008	975,000	1,550,000	125,000
	FY 2009	1,000,000	1,600,000	200,000

*Catalog of Federal Domestic Assistance

13.3 Central service agency charge information

OFM will determine the maintenance level increment for certain central service agency charges

OFM will determine the amount to add to each agency's maintenance level in 2007-09 for the central service agency charges listed below. The carry-forward level will reflect the changes to these charges made in the supplemental budget.

Administrative Hearings (Account 484) – The Office of Administrative Hearings uses this account for the provision of administrative hearings services to state agencies.

Archives and Records Management (Account 006) – This account is used for the archives and records management functions of the Office of the Secretary of State.

Auditing Services (Account 483) – This account is used by the State Auditor’s Office for the centralized funding, accounting, and distribution of auditing costs to state agencies.

Data Processing (Account 419-appropriated portion) DIS-Policy and Regulation Services – Agencies with significant information technology equipment and staff pay into this fund to support the cost of policy and oversight staff support to the Information Services Board (ISB). The ISB approves acquisitions, sets policy, and monitors projects for information technology statewide.

Financing Cost Recovery (Capital Lease Program Account 739) and Thurston County Capital Facilities (Account 289) – RCW 43.01.090, (Chapter 219, Laws of 1994) created two charges related to the construction, renovation, and occupancy of certain space owned and managed by the Department of General Administration (GA) in Thurston County. One of these charges is for financing cost recovery of construction or major renovation projects of such space, and the other is a capital project surcharge to cover some of the costs of ongoing capital projects. These are in addition to all existing facilities and services, seat of government, and Division of Facilities, Planning, and Management (DFPM) lease management charges.

General Administration Services (Account 422) - This account is used by the Department of General Administration to provide a variety of services to other state agencies. However, only services charged through the Facilities and Services billing are treated as an adjustment made by OFM. Agencies should plan to include increases for other GA services in their budget requests if they can't be absorbed.

Legal Services (Account 405) – RCW 43.10.150 created the Legal Services Revolving Fund for centralizing the funding and cost distribution of actual legal services provided to all state agencies.

Office of Minority and Women's Business Enterprises (Account 453) – This agency provides a standard certification of minority and women-owned and controlled businesses.

Agencies will verify the account split that OFM will use for the change



Agencies will verify the account split that OFM will use when making the incremental increase in these charges in the Governor’s budget. OFM will send this information to agencies for verification in the spring.

Notify service agencies about extraordinary service needs

Agencies that anticipate requiring an unusual or extraordinary level of service should contact the appropriate service agency to discuss the anticipated nature and scope of the need. This approach will enable service agencies to include an appropriate estimate and cost of the service to be provided to the agency.

Performance level change requests for these services must be in both client and provider agency budgets

If a client and service provider agency see a need to increase the type or utilization level of a service, both the client and provider agency must include a performance level request for this increase in their budget submittal. This is important to help OFM keep these requests synchronized in the budget.

Central service agencies must provide additional information

As part of their budget submittals, service agencies must provide an agency billing list for the current biennium and for the 2007-09 proposed budget. This list should include the estimated annual amounts to be charged each user agency, and, if a direct staff service, the FTE staff involved with each user agency. Also, each maintenance or performance level decision package must provide an example of the increased charges to small, medium, and large agencies. This will help OFM evaluate the cost implications of the decision package on other agencies. The total billing amount must be reconcilable to the agency's revenue estimate submitted in the budget.

OFM will provide a formatted spreadsheet to the central service agencies for their use in preparing this list.

Central service agency amounts are estimates

It should be noted that the central service agency amounts included in client agency budgets are estimates and the actual billings from the service agencies will be based on services rendered. It is expected that client agencies will pay these billings timely and in full as they would pay bills from other vendors.

Personnel Services charges are not included in the central services agency charges

Personnel Services charges are a fixed rate applied to an agency's classified salary base, and unlike the central service agency charges listed above, are not adjusted by OFM. These charges are used to fund many of the Department of Personnel's (DOP) services and are placed in the personnel service funds administered by DOP. Agencies who have classified positions under the jurisdiction of DOP must make payment to these funds. Agencies may be at the rates listed below or less. Agency budgets for the current biennium already assume these level of charges.

- Department of Personnel Service Account: *For the 2007-09 Biennium, agencies should use 0.7 percent (.007) per year of covered salaries and wages.*
- Higher Education Personnel Service Account: *For the 2007-09 Biennium, higher education agencies are to use 0.35 percent (.0035) per year of covered salaries and wages.*

13.4 Sixteen-year program and financial plans for transportation agencies

Who is required to submit sixteen-year program and financial plans?

Transportation agencies must prepare their budgets in the context of their strategic and financial plans. The administrator of each transportation fund must submit a financial plan that reflects the most current revenue and expenditure assumptions. The following agencies are required to submit a sixteen-year financial plan for the funds they administer:

- Department of Transportation
- Transportation Improvement Board
- Washington State Patrol
- Department of Licensing
- Traffic Safety Commission
- County Road Administration Board
- Board of Pilotage Commissioners
- Freight Mobility Strategic Investment Board
- Marine Employees' Commission
- Transportation Commission

Where to submit the financial plans

Submit financial plans to the state's designated transportation financial plan coordinator:

Jeff Caldwell, Transportation Funds Manager
 Department of Transportation
 Mail Stop 47400
 Telephone: (360) 704-6319
 Fax: (360) 705-6886
 E-mail: CaldweJ@wsdot.wa.gov

Submit only the sixteen-year financial plans to the coordinator. Other program plan information, financial plan assumptions, project lists, and budget information should be submitted directly to OFM.

Some agencies will submit plans to fund administrators instead

Agencies that have transportation budget appropriations out of treasury accounts they do not administer should submit their sixteen-year financial information through the administrators of the funds impacted by their plans. Use the Fund Reference Manual at OFM's website at <http://www.ofm.wa.gov/fund/default.asp> to find the designated fund administrator for each fund.

When are the plans due?

The sixteen-year plans are due on the same date that the agency budget is due. (Refer to Appendix A-1 for agency budget submittal dates.) The financial plan coordinator will compile the plans received from all the transportation agencies and submit them to OFM in September 2006.

Key financial plan milestones

Financial Plan Development Milestones:

- Following the **June 2006 revenue forecast**, the financial plan coordinator will contact agencies to discuss the basic assumptions that will be used to develop the 2007-09 budget and provide templates for the financial plan.
- **In August 2006**, the coordinator will organize a meeting to discuss final assumptions in preparation for budget submittals.
- Following the **September and November 2006 revenue forecasts**, the financial plan coordinator will update the financial plans submitted by agencies to reflect the most current revenue forecast and beginning account balance information. Plans will be sent back to the administering agency for review and comment.

What are the required components of the financial plan?

A financial plan details the financial requirements of a transportation agency's major capital and operating programs over a sixteen-year period. Expenditures are displayed mostly at the program level with decision packages displayed as separate line items. The Financial Plan Coordinator will send templates and more detailed instructions to agencies this spring. Here are the types of information that will be required in the sixteen-year plans.

- **Revenue estimates** by fund, major source and source for each account administered by the agency, including:
 - Information about adjustments not assumed in the budget but impacting the account balance
 - Bond fund cash flow plans
 - Any additional information related to program expenditures or revenues as the Legislature may direct by law.
- **Operating and capital expenditures:**
 - Operating expenditures shall be submitted at the program level.
 - Capital program expenditures submitted in the financial plan must balance with the capital project list submitted to OFM and the Legislature. Transportation agencies with capital programs must provide information at the project level directly into Transportation Executive Information System. The following items must be included in a capital agency's budget submittal:
 - A list of new projects
 - A list of deleted projects
 - A list of projects that supports the agency's re-appropriation request
 - A list of projects where the project identification number (PIN) has changed
 - A document describing any change in cost, scope, or schedule from the last project list approved by the Legislature.

- Provide, in a separate document, **assumptions that support the financial plan**, including:
 - Assumptions underlying the biennial beginning fund balance
 - Description of future biennia spending projections that are based on assumptions other than inflationary increases
 - Use of federal or private/local funds (and required state match)
 - Bond sale assumptions
 - A description of new revenues that are proposed above current law forecasts, the agency shall provide:
 - A discussion of the funding source
 - Forecast assumptions
 - Purpose of the new revenue.

What resources are available to help me develop my program and financial plan?

Jeff Caldwell, the Financial Plan Coordinator at WSDOT, is available to:

- Provide technical assistance
- Discuss financial plan assumptions
- Estimate debt service payments
- Forward final agency financial plans using TEIS to OFM and the Legislature.

Jeff can be reached at (360) 704-6319 or via e-mail at CaldweJ@wsdot.wa.gov.

13.5 Additional requirements for higher education agencies

Additional instructions will be sent to higher education agencies

OFM will send a separate instruction letter to higher education agencies this spring that will list additional information requirements that must be included in the budget submittal.

13.6 Puget Sound Conservation and Recovery Plan expenditures

Requirements for agencies which received Puget Sound Water Quality Work Plan related-funding for 2005-07

The Puget Sound Conservation and Recovery Plan guides water quality and biodiversity protection efforts of federal and state agencies, and local and tribal governments in the Puget Sound basin. As part of the budget development process, agencies will need to work closely with the Puget Sound Action Team staff and OFM regarding work plan expenditures.

All agencies that received funding to implement the 2005-07 work plan must submit a summary of all actual and estimated workplan expenditures for the 2005-07 Biennium to the Puget Sound Action Team by August 15, 2006. The expenditures should be summarized by work plan agency budget code and fund source.

Requirements for the 2007-09 budget

To aid the Action Team in preparing a budget request for the 2007-09 Biennium, agencies must also submit proposed 2007-09 Biennium work plan expenditures to the Action Team staff by September 1, 2006.

The Action Team will send instructions and forms to agencies

The Action Team staff will transmit specific budget codes, budget instructions and due dates, and electronic forms to agencies in early June 2006 for agencies to use in submitting 2005-07 estimated expenditures and proposed 2007-09 work plan actions.

13.7 Other budget reports and data



Updating agency descriptions

Agency descriptions and missions must be published as part of the budget document. We will send agencies a template in June that will contain the most recent agency description and mission statements. Agencies wishing to make changes should return the updated template to Laurie Lien at Laurie.Lien@ofm.wa.gov no later than their agency budget due date.

**Confirm updated
second-year
expenditure estimates**

In September, OFM will ask agencies to review and confirm our estimates of second-year (Fiscal Year 2007) expenditures and revenues. These estimates, along with Fiscal Year 2006 actual expenditures (as of CAFR Phase II), will be used for fund balancing for the 2007-09 budget proposal.

Rather than asking agencies to develop the estimates and submit them through BDS, OFM will develop expenditure estimates based on this formula:

Expenditure Authority - First Year Actuals - Reserve - Unallotted.

For General Fund-State appropriations, we will use the second-year allotments as estimates. We will also use allotments as the basis for revenue estimates. These calculated estimates will be sent to agencies for review in mid-September, shortly after CAFR Phase II close. Agencies will have approximately two weeks to review and confirm or modify the estimates. **Agency comment will be due to OFM by September 30.**

**Reports on Savings
Incentive Account
expenditures for each
fiscal year**

In September, OFM will send instructions to agencies requesting information on the use of the Savings Incentive Account allocations in Fiscal Year 2006. OFM is required by statute to report on the use of this funding by December 1 of each year.



Appendices

A-1 Agency Budget Submittal Dates

Agencies must submit their entire operating budget requests – **both paper copies and electronic data submittal** – on the date noted below. Please do not expect an exemption from these submittal dates, since delays significantly affect the time available for OFM analysis.

August 18

075	Governor
080	Lieutenant Governor
085	Secretary of State
095	State Auditor
100	Attorney General
101	Caseload Forecast Council
102	Department of Financial Institutions
104	Economic and Revenue Forecast Council
110	Office of Administrative Hearings
111	Department of Personnel
116	Washington State Lottery
118	Commission on Hispanic Affairs
126	State Investment Board
130	State Printer
140	Department of Revenue
144	Municipal Research Council
150	Department of General Administration
155	Department of Information Services
160	Insurance Commissioner
165	Board of Accountancy
167	Forensic Investigations Council
195	Liquor Control Board
205	Board of Pilotage Commissioners
220	Board for Volunteer Firefighters
315	Department of Services for the Blind
325	Sentencing Guidelines Commission
351	Washington State School for the Blind
353	Washington State School for the Deaf
355	Department of Archeology and Historic Preservation
377	Spokane Intercollegiate Research and Technology Institute
387	Arts Commission
390	Washington State Historical Society
395	Eastern Washington State Historical Society
408	Marine Employees' Commission
460	Columbia River Gorge Commission
462	Pollution Liability Insurance Program
468	Environmental Hearings Office
476	Growth Management Hearings Office
550	Washington State Convention and Trade Center

August 18 (Due date for Local Fund Statements)

106	Washington Economic Development Finance Authority
148	Housing Finance Commission
346	Higher Education Facility Authority
356	Life Sciences Discovery Fund Authority
412	Washington Materials Management and Financing Authority
500	Apple Advertising Commission
501	Alfalfa Seed Commission
502	Beef Commission
503	Blueberry Commission
505	Bulb Commission
506	Asparagus Commission
507	Cranberry Commission
508	Canola and Rapeseed Commission
510	Dairy Products Commission
512	Dry Pea and Lentil Commission
513	Farmed Salmon Commission
514	Egg Commission
515	Fruit Commission
520	Fryer Commission
521	Hardwoods Commission
522	Hop Commission
524	Puget Sound Gillnet Salmon Commission
525	Potato Commission
526	Strawberry Commission
527	Barley Commission
528	Mint Commission
529	Red Raspberry Commission
530	Seed Potato Commission
532	Turf Grass Seed Commission
533	Tree Fruit Research Commission
534	Wine Commission
535	Wheat Commission
599	Health Care Facilities Authority

September 1

001	State Revenues for Distribution
005	Federal Revenues for Distribution
010	Bond Retirement and Interest
076	Special Appropriations to the Governor
082	Public Disclosure Commission
086	Governor's Office of Indian Affairs
087	Commission on Asian Pacific American Affairs
090	State Treasurer
099	Citizens' Commission on Salaries for Elected Officials
103	Department of Community, Trade, and Economic Development
105	Office of Financial Management
107	Health Care Authority
117	Gambling Commission
119	Commission on African-American Affairs
120	Human Rights Commission
124	Department of Retirement Systems
142	Tax Appeals Board

September 1

147	Office of Minority and Women's Business Enterprises
185	Horse Racing Commission
215	Utilities and Transportation Commission
225	Washington State Patrol
227	Criminal Justice Training Commission
228	Traffic Safety Commission
235	Department of Labor and Industries
240	Department of Licensing
245	Military Department
250	Indeterminate Sentence Review Board
275	Public Employment Relations Commission
300	Department of Social and Health Services
302	Home Care Quality Authority
303	Department of Health
305	Department of Veterans Affairs
310	Department of Corrections
341	Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board
343	Higher Education Coordinating Board
345	State Board of Education
350	Superintendent of Public Instruction
354	Work Force Training and Education Coordinating Board
360	University of Washington
365	Washington State University
370	Eastern Washington University
375	Central Washington University
376	The Evergreen State College
380	Western Washington University
405	Department of Transportation
406	County Road Administration Board
407	Transportation Improvement Board
410	Transportation Commission
411	Freight Mobility Strategic Investment Board
461	Department of Ecology
465	State Parks and Recreation Commission
467	Interagency Committee for Outdoor Recreation
471	State Conservation Commission
477	Department of Fish and Wildlife
490	Department of Natural Resources
495	Department of Agriculture
540	Employment Security Department
699	Community College System
701	Treasurer's Transfers
705	Treasurer's Deposit Income
740	Contributions to Retirement Systems

October 1

011	House of Representatives
012	Senate
013	Joint Transportation Committee
014	Joint Legislative Audit and Review Committee
020	Legislative Evaluation and Accountability Program Committee
035	Office of the State Actuary
038	Joint Legislative Systems Committee
040	Statute Law Committee
045	Supreme Court
046	State Law Library
048	Court of Appeals
050	Commission on Judicial Conduct
055	Administrative Office of the Courts
056	Office of Public Defense
057	Office of Civil Legal Aid
357	Department of Early Learning

A-2 Decision Package Example

State of Washington Decision Package

Agency: 240 Department of Licensing
Decision Package Code/Title: HE Six-Year Driver License
Budget Period: 2005-07
Budget Level: Performance Level

Please note: This sample Decision Package is based upon an actual decision package used by the Department of Licensing but has been amended for purposes of providing this example.

Agency Recommendation Summary Text:

The four-year driver's license (and associated endorsements) renewal cycle is converted to a six-year cycle (including motorcycle and commercial driver license endorsements). Wait times will be reduced for Washington residents getting driver license renewals. The conversion will be phased in over a six-year period.

Operating Expenditures		<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
106-1	Highway Safety Account	\$ 77,000	\$238,000	\$ 315,000
<i>Total Cost</i>		\$ 77,000	\$238,000	\$ 315,000

Staffing		<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
	FTEs	0.0	4.5	2.3

Revenue Detail		<u>Source</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
106-1	Highway Safety Account	0254	\$ 0	\$ 5,492,000	\$ 5,492,000
082-1	Motorcycle Safety Account	0254	0	249,000	249,000
Total Revenue			\$ 0	\$ 5,741,000	\$ 5,741,000

Package Description:

The department proposes to extend the time between driver license renewals and associated endorsements from four years to six years. This change will decrease renewal wait times and improve customer service. Furthermore, reducing the volume of transactions processed at each License Service Office (LSO) has the benefit of freeing up more time for staff to improve other services. This initiative is also an element of the Department of Licensing's performance-based budget request required under Section 503 of ESSB 6456. This decision package only affects the Examining and Licensing Citizens to Operate Motor Vehicles activity.

Although the average wait time across the state is approximately 11 minutes and the actual time for delivering the service is about 9 minutes, an estimated 120,000 customers experienced wait times in excess of 30 minutes over the last two years. The average statistic masks a significant customer service problem of excessive wait times. During peak business hours, many customers experience wait times of an hour or more.

Longer wait times contribute to customer dissatisfaction with the department and state government as shown by our customer comment cards. A review of almost 2,000 comment cards over the last year reveals that 60 percent of those persons who waited more than 20 minutes for a renewal said the service “needs improvement.” And of those who waited more than 40 minutes, 82 percent said the service needs improvement. On the other hand, of those customers who waited less than 20 minutes, 91.5 percent reported that the service was either “Excellent” or “Above Average.” In short, wait times are a critical factor in determining the public’s perception of service quality as provided by the Licensing Service Representatives (LSRs).

Long waits are a source of frustration for LSRs as well. Their ability to provide high-quality service to customers suffers from the high volume of workload. This is particularly true as they must serve customers who, due to excessively long waits, are dissatisfied with the agency’s service even before they are called up to the counter.

Customers not receiving service within their own available time frames often leave the LSO only to have to return on another occasion. Customer comment cards identifying this problem and the dropout rate recorded from “take-a-number” (Q-Matic) stations confirm that this is true. When the number of customers and wait time increases, the number of abandoned line positions increases.

Greater language diversity, population growth, and the simultaneous graying of the baby boomers and the effect of the baby boom “echo” mean that more customers are requesting service. In addition, many of these services, such as disabled parking placards, require greater involvement and time of the LSR. Yet staff growth has not kept pace with these service demand increases.

Success in Other States

Currently, 32 other states and half the Canadian provinces have enacted legislation providing for license renewal cycles in excess of four years (see table below). Some states have renewal and extension periods as great as 16, 15, and 8 years. Nationwide statistics on motor vehicle traffic fatalities and injuries have not shown a negative traffic safety impact from the extended license renewal cycles. The fatality and injury accident rates in jurisdictions with renewal cycles in excess of four years are consistently within the same range as states with renewal cycles less than or equal to four years.

States with Renewal or Extension Periods Greater than Four Years

Alaska	Louisiana	Rhode Island
Arizona	Maine	South Carolina
California	Maryland	South Dakota
Colorado	Massachusetts	Tennessee
Connecticut	Michigan	Texas
Delaware	Montana	Utah
District of Columbia	New York	Virginia
Florida	North Carolina	West Virginia
Hawaii	Nevada	Wisconsin
Idaho	North Dakota	Wyoming
Kansas	Oregon	

Canadian Provinces with Renewal or Extension Periods Greater than Four Years

Alberta	Newfoundland	Ontario
British Columbia	Nova Scotia	

Why a Six-Year Implementation Period Is Necessary

In order to smooth the workload and revenue collection over the next four biennia, the current renewal licenses must be distributed as evenly as practicable. If this “smoothing” did not happen and every driver that came in for a license renewal during the next four years were given a six-year renewal, by the fifth and sixth years, the only applicants coming into the office would be those getting an original license. This would equate to an 88 percent drop in workload activity. Staff will have little work for two years (and excellent wait time performance measures); but in years eight, nine, ten, and eleven, the workload would dramatically increase again to process the renewals, and wait times would be intolerable.

In essence, the renewal workload cycle would be heavy for four years, creating tremendous wait times, then almost nonexistent for two years, then heavy again for four years, etc. Staff levels would be difficult to maintain in an irregular cycle of this type. In addition, the revenue flow would follow the same irregular pattern.

Proposed Implementation Plan

The implementation plan follows the principles that no individual will go longer than six years without visiting an LSO and no one has to go to an LSO more than once every four years during the transition. By using a pattern of four-year renewals (the current renewal period), two-year renewal extensions, and six-year renewals, the two-year gap in renewal license activity is filled without requiring the customer to visit a LSO more than they currently do under the four-year system.

An additional four temporary employees will be required to process and issue mail-in extensions of current driver licenses. These FTEs are needed to ensure that customers understand and complete the necessary steps to achieve a balanced workload.

Between July 1, 2004 and June 30, 2006, approximately two-thirds of the customers renewing their driver licenses and associated endorsements will move to a six-year cycle. One-third of the renewing customers will be given a two-year extension of their existing four-year license. They will then be on a six-year cycle. All original licenses will be issued for six years and those licensees will continue on a six-year cycle.

Between July 1, 2006 and June 30, 2008, approximately one-third of the renewing customers will renew for four years, as they do today, and will move to a six-year cycle on their next renewal. The other two-thirds of the customers renewing their driver licenses and associated endorsements will move to a six-year cycle. All original (first-time Washington licenses) licenses will be issued for six years and those licensees will continue on a six-year cycle.

Starting on July 1, 2008, implementation of the six-year renewal cycle is complete. All original licenses and renewal licenses will be issued for a six-year period.

Performance Effects

As a result of moving to a six-year license, wait times for renewal licenses will drop by almost a third. This effect will be seen in the third year of implementation. The initial two years will not see a drop in renewal traffic at the office. However, by the third year an estimated 325,000 fewer people will not be required to come to an LSO. The effect on wait time is direct in that where there once were six people in line for renewals, there will now be only four – a one-third decrease in renewal wait time is anticipated. This will also have a significant effect on the maximum wait times.

As part of the performance-based budget package, this proposal represents one of the key elements of the three-pronged approach for achieving performance improvement related to wait and service times for license renewals. The three elements address improved peak-load capacity (Increase Staffing in LSO Offices, Decision Package HG), reduced workloads (Six-Year Licensing, Decision Package HE), and faster delivery of service (Improved Driver License, Decision Package HD). Among these three approaches, this proposal has the least immediate effect on wait times, though the revenue impact does begin to occur in the 2005-07 Biennium. From among the three approaches, by the 2007-09 Biennium, it will have the broadest impact on wait times in all offices.

This proposal is also the best example of the benefits of strategic planning over a six-year period. Using a long-range perspective made possible by strategic planning, initiatives that add value beyond the 2005-07 Biennium can be evaluated with a focus on achieving a coherent agency vision. This process moves the agency away from the short-term, incremental budget choices that characterize traditional budgeting and focuses our efforts on achieving our performance goals.

Increased Revenue Without a Fee Increase

Currently, a fee of \$14 is charged to renew a license for a four-year period. This is equivalent to \$3.50 for each year of the license. That annual rate will not change. People renewing their license will be charged a fee equivalent to the number of years the license is in effect. For example, during the phased implementation: Those renewing for a six-year license will pay \$21 (\$3.50 x six years). Those renewing for four years will still pay \$14 (\$3.50 x four years). Those receiving a two-year extension pay \$7 (\$3.50 x two years). Motorcycle and commercial driver license endorsements (CDL) fees would be prorated in the same fashion. A renewal reminder postcard will be mailed to each licensee and will state the new renewal period and the appropriate fee.

As other states have done, the DOL implementation approach will have two-year extensions. DOL will send a renewal mailer to the customer instructing them to return the envelope with their \$7 renewal fee to DOL. DOL will mail back a special sticker, with instructions to adhere it to the back of the customer's license. To prevent fraud, the sticker will be produced with the customer's license number, name, current address, and the expiration date of their license. The sticker has a special adhesive that will cause the sticker to destruct if it is removed from the license. The date of expiration will be extended on the licensee's record in the Driver Division's computer database. This entry will allow law enforcement officers to verify license expiration dates whether a sticker is present or not.

The mail-in and extension process described above is not new to the department. DOL has extensive experience with handling mail-in renewals of licenses (both in Vehicles and Business and Professions) and in the use of special stickers. In many respects, the current vehicle licensing tabs are analogous to the licensing extension proposal.

Narrative Justification and Impact Statement

How contributes to strategic plan:

To meet the agency goal to optimize the cost, accuracy, access, and speed of services to its customers, the agency proposes to extend the time between license renewals. This approach also offers a cost effective way to serve the growing volume of drivers over time without compromise to highway safety. Keeping wait times down and ensuring licenses renewals can take place on time and with adequate review promotes highway safety. Funds that would have been required to support the more costly traditional approach can be redirected to other higher-priority outcomes.

Performance Measure Detail

Goal: 1.0 Optimize the cost, accuracy, access, and speed of services to customers.

	Incremental Changes	
	FY 2006	FY 2007
Outcome Measures		
1.1 Total renewal service completion time (in minutes).	0.0	(4.1)
1.2 Average renewal wait time (in minutes).	0.0	(4.1)
1.3 Average maximum renewal wait time (in minutes).	0.0	(12.8)
Output Measures		
1.4 Number of renewal customers in LSOs.	N/A	(324,513)
Efficiency Measures	N/A	N/A

Reason for change:

This will reduce customer wait time in the LSOs and allow for management of workload growth.

Impact on clients and services:

With fewer customers renewing beginning in Fiscal Year 2007, customers will experience shorter wait times. This also provides an opportunity for LSO staff to pay more attention to traffic safety and document security issues in a less stressful environment.

Impact on other state programs:

Extensive research and coordination has occurred between the Washington Traffic Safety Commission, the Washington State Patrol, and local law enforcement in the development on this decision package. All parties have concurred with the proposal from the aspect of public safety. The Traffic Safety Commission will be using this as a research opportunity to evaluate the effect of longer licensing periods on traffic safety among high-risk drivers.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

This proposal will require changes to statutes (RCW 46.20.181 and RCW 46.20.505) and rule (WAC 308-100-050), which define the license expiration period and the renewal and endorsement fees, and establish when renewals will occur.

The statute, effective July 1, 2006, will need to be modified to authorize:

- A six-year license.
- The department to adopt policies consistent with the goal of effectively distributing its renewal workload over a six-year term. Such language would allow us to issue variable length licenses and license expiration extensions through June 30, 2008.
- The department to prorate license renewal and endorsement fees on a per-year basis.

Alternatives explored by agency:

DOL researched the option of increasing the number of FTE staff to provide an adequate number of staff to meet the goal of prompt, accurate service. However, an estimated 77 FTE staff would be needed to achieve a reduction in customer service renewal wait time equivalent to the results of this proposal and would require the costs of opening additional offices.

The 77 additional FTE staff would cost \$4.6 million each year (including agency support costs) and a capital budget package would be required to add five additional facilities in our busiest locations. The cost per facility is approximately \$2.5 million, depending upon location, for a total of \$12.5 million.

While additional FTEs form a part of the department's solution to address the service demand for LSO services and reducing customer wait times, the costs of an FTE-only solution (including the related facilities, supplies, and equipment) is not the most cost-effective approach.

Other options, which are not mutually exclusive, include: reduce the time it takes to actually provide the service through the use of improved technology, or reduce the service demands for other driver services and redirect the resources to renewal licensing.

Budget impacts in future biennia:

- FY 2008, a total of \$69,000 will be required for startup of the license extension process. Costs include printing, postage, goods and services, and travel costs required for implementation and training less estimated savings for renewal postcards that will not be printed.
- FY 2009, a total of \$214,000 will be required for the license extension process. This includes costs for printing, postage, goods and services less estimated savings for renewal postcards that will not be printed.
- FY 2010, a total of \$188,000 will be required for the license extension process. This includes costs for printing, postage, goods and services, less estimated savings for renewal postcards that will not be printed.
- FY 2011, an estimated savings of \$64,000 for renewal postcards that will not be printed.
- FY 2012 and beyond, no future budget impacts are anticipated.
- In subsequent biennia, the two FTEs provided in the 2005-07 Biennium will no longer be required, and a reduction of \$167,000 per year is proposed in the 2007-09 Biennium carry-forward level.

Distinction between one-time and ongoing costs:

The staffing costs in this decision package are one-time for the 2005-07 Biennium.

Effects of non-funding:

The effects of non-funding will be steadily increasing wait times for customers because of population growth, as well as impairment of the department's ability to promote traffic safety. The revenue acceleration that will not occur may result in the need for a fee increase within the current six-year planning horizon. The effect of non-funding on performance means that the reduction of wait times will not occur because drivers will be coming into licensing offices more frequently to review their licenses.

Expenditure Calculations and Assumptions:

Revenues

A significant acceleration of revenues occurs during the first four years of implementation. This is because persons receiving an original license or renewing their licenses will be paying \$7 sooner than under a four-year licensing period. As a result, revenues increase by about \$5.7 million in FY 2007.

Expenditures

DOL will need increased expenditure authority starting in FY 2006 to implement the first phase of the plan. This increase is primarily for additional temporary FTE staff (one-half time IT Systems Specialist 4, and four License Service Representatives 1) and one-time programming costs for system changes necessary to accommodate the six-year renewal cycle. Costs to Drivers Services for printing, mailing, and processing license extensions will not begin until the 2007-09 Biennium. These costs are estimated to be less than \$300,000.

<u>Object Detail</u>		<u>FY 2006</u>	<u>FY 2007</u>	<u>Total</u>
A.	Salaries	0	\$128,000	\$128,000
B.	Benefits	0	\$39,000	\$39,000
E.	Goods And Services	\$ 77,000	\$71,000	\$ 148,000
Total Objects		\$ 77,000	\$238,000	\$ 315,000

Six-Year Estimates

<u>Revenue</u>		<u>2005-07</u>	<u>2007-09</u>	<u>2009-2011</u>
082	Motorcycle Safety Account	249,000	(77,000)	(219,000)
106	Highway Safety Account	5,492,000	3,350,000	3,149,000
	Revenue Total	5,741,000	3,273,000	2,930,000

Expenditure Estimates

106	Highway Safety Account	315,000	97,000	(47,000)
FTEs		2.3	0.0	0.0

A-3 Selected strategies to reduce costs and improve efficiency¹

This fall, the Priorities of Government Results teams will be asked to prioritize activities, based on their demonstrated contribution to results, within some dollar constraint. As part of this task, teams will be asked to consider a variety of strategies to reduce costs and improve efficiency in order to free up budget capacity to invest in effective activities. Agencies should also consider these strategies as they consider alternatives in the budget.

<i>Is there an opportunity to. . .</i>
1. Eliminate on activity or process that doesn't contribute significantly to results?
2. Consolidate programs or agencies by consolidating or reconciling missions?
3. Consolidate funding streams in order to better use resources for true priority activities?
4. Consolidate policy authority now dispersed among various organizations?
5. Consolidate similar operations now dispersed among various organizations?
6. Consolidate layers within an organization?
7. Consolidating access to information?
8. Consolidating "back room" activities now dispersed among various organizations?
9. Have an activity performed better or at a lower cost at another level of government or in another agency or program?
10. Cut the "cost of mistrust" by finding less costly means of promoting compliance?
11. Reduce the cost of accountability by ensuring controls are commensurate with the risks?
12. Reduce the costs or improve the results of an activity through competitive contracting?
13. Improve results by setting service standards or guarantees?
14. Make services more responsive to citizen preferences?
15. Improve the return on the state's investments in grants, subsidies entitlements and capital projects?

1. **Clear the decks.** Activities that do not contribute significantly to achieving any of the statewide results should be eliminated. Divesting will almost certainly mean disruption, but in return, it will free up resources to invest in the results that matter most to citizens. Ordering activities by their contribution to the results provides a good foundation for determining which activities should be considered for elimination.
 - **Consolidate WHERE IT MAKES SENSE.** Consolidation is the perennial favorite of politicians, who often assume there are economies of scale to be had from merging agencies, or merging service programs into "one-stop" centers. These mergers are rarely managed beyond moving boxes around on an organization chart, with the result being few real savings and many new costs, as well as significant disruption in service delivery and staff morale. Consolidations are most likely to produce savings or improve results if they are well-managed, and focused on specific areas, such as:
2. **Consolidating missions.** When programs or agencies are combined, they bring with them their various missions. Reconciling and blending the various missions requires a conscious

¹ (Adapted from materials provided by the Public Strategies Group)

and deliberate organizational change effort, for which time is rarely taken. The result is a lack of focus, if not outright conflict between missions. Consolidations work best when the sponsors of the consolidation work with the resulting program/agency to agree on a clear, focused mission and set of clear, limited performance targets.

3. **Consolidating funding streams.** Far more powerful than consolidating agencies or programs is consolidating their funding streams. Specifically dedicated funding leads inevitably to specifically dedicated – and therefore complicated – agencies. Tracking costs according to the “color of money” is another form of the “cost of mistrust.” Consolidate the funding, focus it on clearly prioritized outcomes, and use it to purchase those outcomes from whatever programs or agencies can best produce them.
4. **Consolidating policy authority.** Most agencies have both policy (“steering”) responsibilities and operating (“rowing”) responsibilities. These are not the same. “Steering” focuses on doing the right things, while “rowing” functions focus on doing them right. By separating these roles, each can be performed better. Once separated, steering can be consolidated to ensure that policy is integrated and mutually reinforcing across a government unit. When coupled with consolidated funding streams, steering organizations can “purchase” key results from those who row.
5. **Consolidating similar operations.** Programs or activities that do similar kinds of work are good candidates for consolidation. Examples include call centers, where technology now makes it cost effective to consolidate customer service call centers in one location instead of in local offices. In such cases, the similarity of the work can offer opportunities for consolidation.
6. **Consolidating layers.** Organizational layers may have been necessary when communication was cumbersome and employee skills were limited. But with today’s technology and well-trained workforce, the justification for so many layers should be questioned. Consolidating layers can save money. It can also improve service when coupled with delegating more authority to those closest to the customers.
7. **Consolidating access.** Much of what government does involves the collection and processing of information. Accessing what the government knows has often been cumbersome and expensive for those inside and outside of government units. Technology provides the opportunity to consolidate access, and in so doing, to reduce costs and improve service.
8. **Consolidating “back room” activities.** Many agencies have similar back-room functions (e.g., phone answering, purchasing, data storage), even though their activities that directly touch citizens are very different. In these cases there may be an opportunity to create a common “back room,” reduce the total resources dedicated to these functions, and re-deploy resources to direct service activities.
9. **Can an activity be performed better or at a lower cost at another level of government or in another agency or program?** The means to achieve the desired results need not be

restricted to any specific agency, program or level of government. The best ways to achieve a result may be found in unexpected places – in places other than where it is currently being done. In the original “POG” exercise, Results Teams looked across the entire state and local enterprise to choose those activities that were best suited to achieving the desired outcome within the resources available. In some cases, they determined that funding was better spent by allocating it to local government agents, or by consolidating similar programs in different agencies.

10. Cut the cost of mistrust.

- 11. Reduce the cost of accountability by ensuring controls are commensurate with the risks.** By estimates of the Public Strategies group, as much as 20-30% of government spending can be related to controlling the actions of citizens, businesses and the other 70-80% of government. Much of that spending is based on the belief that people will lie, cheat and steal if given the opportunity. If you look into the history of the control program, you will often find that a whole set of policies and procedures were put into place in reaction to one person’s misappropriation. This level of mistrust is not only expensive – it undermines performance.

Examples of opportunities to cut the cost of mistrust abound in any agency. A look at aligning controls with risks can be an especially effective way to reduce the cost of mistrust. For example, in British Columbia the government has moved from multiple layers of required review within individual agencies for each purchase, to a centralized risk-based post audit of sample purchase transactions. This has not only significantly reduced costs of the purchase process, but it also has improved compliance by providing enterprise wide information about problem areas that can be addressed system wide.

Many process improvements can be implemented to reduce the layers of “mistrust” that slow down processes and frustrate customers and staff alike.

- 12. Contract competitively.** When public agencies are required to compete, they can unleash the creative potential of their employees, because the incentives for success are so direct. The Personnel System Reform Act gives managers the flexibility to consider contracting for services that would otherwise be done in-house, if it can be done at a better price or with a better result. Before the agency can competitively contract a service, staff will have the opportunity to present more cost-effective alternatives.
- 13. Establish service standards and guarantees.** What if an activity developed and posted service standards and provided customers a rebate or other redress if these standards are not met? That’s how it works today when you apply for a passport. They either get it to you on time or you get your money back. The result: delighted customers who get passports much faster than they ever thought possible.
- 14. Make services more responsive to customer preferences.** Although we are in public service, it’s easy to forget how the public sees what we do. Focusing on the results that matter most to citizens means that we must bring that question into our process

improvement efforts. As we examine our activities and processes, we should test each step against the requirement that it add positive value to the process customer. If we cannot show that the additional step, review or paperwork supports one of our key results, we should consider eliminating that step. Just being given a choice often increases any customer's perception of value. We can make services more responsive to customer preferences by:

- **Letting customers serve themselves** through service vouchers or web-based service delivery. Such services give customers control over the content, time and convenience of the services they want. Washington citizens can now buy fishing licenses, check shellfish beach closures, order a moorage permit, renew tabs and search for a state job from their home 24/7. These kinds of self-service options add value to citizens and can be very cost-effective in the medium or long run.
- **Giving customers choices** and making sure that the money follows the customers. This creates competition between service providers for the customers' business.

15. Improve the return on the state's investments in grants, subsidies entitlements and capital projects. Much of our budget is spent on aid payments to other governments, institutions or individuals. Those who receive them often treat these payments as entitlements because there is no explicit obligation expected in return. Managers and staff should review entitlements within activities and explore ways to explicitly connect payments to an obligation that supports the intended result.

Subsidies result when those who benefit most directly from a service are not the same people who pay for it. Over time, subsidies and tax credits come to be seen more as entitlement than an investment. In some cases, they are no longer targeted to those who truly need them, or on producing a return on the investment. By re-examining subsidies and tax credits, and eliminating those that no longer produce the desired results, we can redirect those resources to more effective strategies.

Teams that deal with the use of "capital investment" resources should develop mechanisms for ensuring that every investment generates results – in the form of a return on that investment. Among the top priorities for capital should be investments – such as technology systems – designed specifically to make government service delivery better, faster and cheaper. Proposed investments that produce a high return in improved quality or reduced costs should take precedence over those that produce a lower return.

A-4 The logic model and types of performance measures

The logic model provides the context for performance measures

Agencies will develop different types of measures to monitor outcomes and to manage their efforts. The logic model can help show the causal factors that link resources to results through activities, outputs and different levels of outcomes.

Activity performance measures most likely found in the middle range

For the most part, measures that tell the story about whether an activity is achieving its purpose will be found in the middle range of the logic model – measures of intermediate or immediate outcomes, and outputs. These are the performance measures that OFM is most interested in tracking through the biennium as a means of assessing the effectiveness of budget investments.

POG statewide strategy and result indicators reflect the upper level of the model

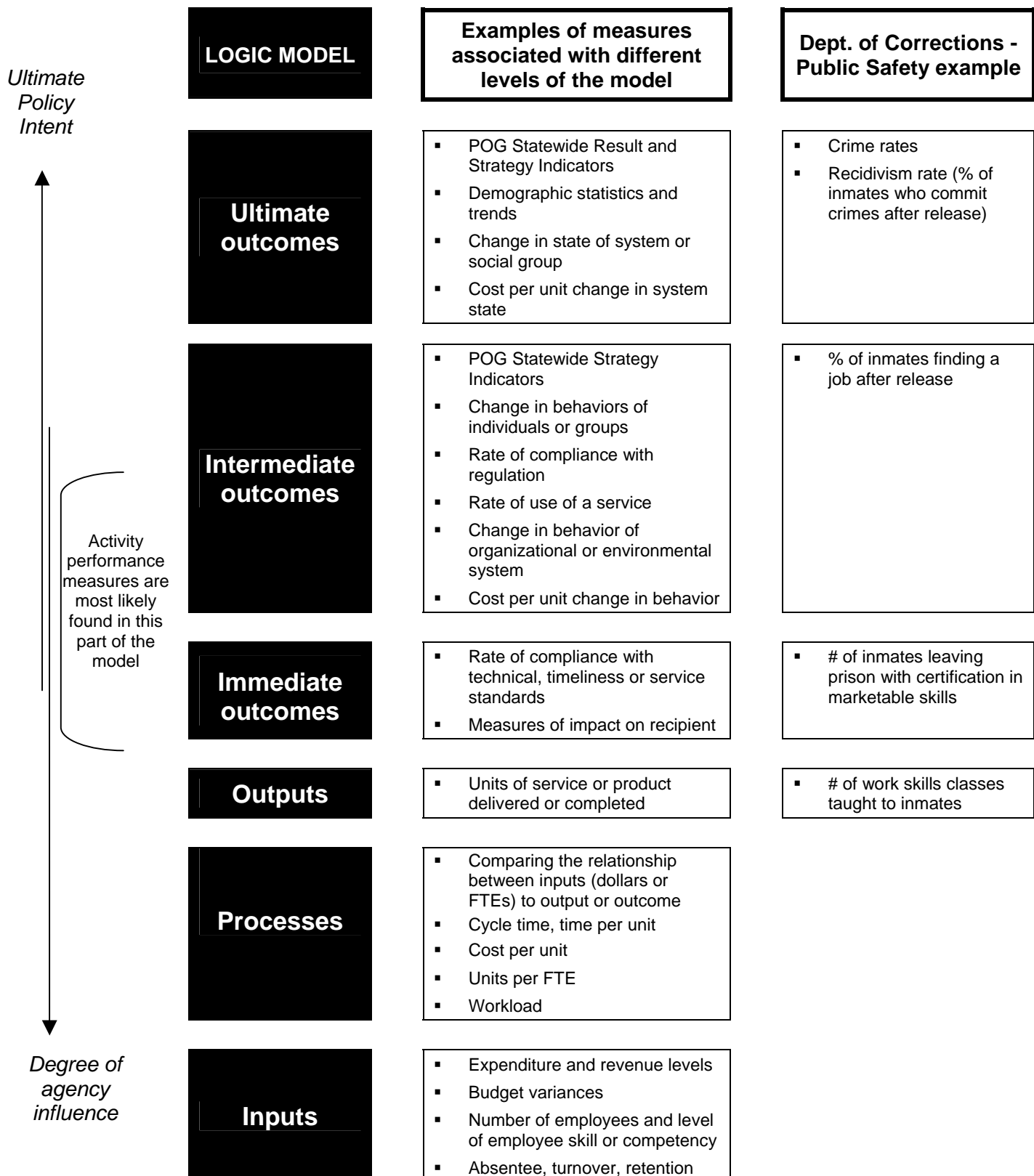
POG statewide result and strategy indicators are examples of “ultimate” and intermediate outcomes. The state budget system will now track these POG indicators, as well as activity performance measures.

GMAP

The Government Management, Accountability and Performance (GMAP) program will draw measures from all levels of the logic model to set context for decision makers and evaluate effectiveness of various tactics. Some of these will be exactly the same measures that are approved by OFM in the budget system. Other measures, particularly those lower on the logic model, may be a part of agency performance management systems and used in internal GMAP sessions, but might not be included in the agency strategic plan and will not be sent to OFM for tracking in the budget system.

The Office of Management, Accountability and Performance will periodically assess agencies’ internal GMAP processes and the measures used in those sessions.

Logic Model with Example



Types of measures

The table below offers definitions and examples of the three basic types of measures: outcome, output and efficiency measures. The POG and GMAP processes have introduced some new performance measure terms, but not new measurement types. The terms below either describe the thing being measured or the forum in which a set of measures may be used.

Activity measures – outcome, output or efficiency measures for an activity in an agency’s official activity inventory.

Result area indicators – outcome measures for one of the ten POG result areas.

Strategy indicators – outcome measures for a POG result area strategy defined by a POG results team.

POG measures – any activity measures, result area indicators or strategy indicators used in the POG process.

GMAP measures – any outcome, output and efficiency measures used in the GMAP process.

Comparing Outcome, Output and Efficiency Measures

What It Does	Examples
Outcome Measures	
<ul style="list-style-type: none"> ▪ Shows the impact of agency activities on problems/issues they are designed to address • Answers the question “What is different about the world?” • Captures societal impact, changes in behavior, knowledge or attitude, customer satisfaction, or technical quality, or vital signs of a process (e.g. accuracy rate, turnaround time) • Measure goals and objective attainment 	<ul style="list-style-type: none"> • Overall employment rate • Employment rate for job-training participants • Percentage of employers rating job-training program placements as “good” or “excellent” • Job-training application processing time

What It Does	Examples
Output Measures	
<ul style="list-style-type: none"> Shows the work accomplished Products and services produced Answers the question “What was done?” and “How did we get there?” Measures success of strategies 	<ul style="list-style-type: none"> Number of vehicle licenses issued Number of vaccinations given Number of students attending school Number of offenders housed in correctional facilities
Efficiency or Effectiveness (Process) Measures	
<ul style="list-style-type: none"> Shows relationship between inputs and outputs (efficiency measures), or inputs and outcomes (effectiveness measures) Answers the question, “What are the unit costs?” Can also be used to track timeliness of service delivery Usually expressed as a ratio, such as cost per unit, or units per FTE 	<ul style="list-style-type: none"> Cost per training class delivered Investigations per FTE Average cost per offender per day supervised Administrative cost per retirement benefit provided Time to process a permit